

STATE OF TEXAS §

COUNTY OF TRAVIS §

Division Number:	110	Program Name:	Permanent School Fund Investments
Org. Code:	701	Legal/Funding Authority:	Texas
Speed Chart:	9A020	Constitution, Article VII	
Payee Name:	BlackRock Investment Management, LLC	Payee ID:	205319476
ISAS Contract #:	2196	PO #:	25661

TEXAS EDUCATION AGENCY STANDARD CONTRACT

ARTICLE I. PARTIES TO CONTRACT

This agreement is entered into by and between the Texas Education Agency ("TEA"), a Texas State Agency, and BlackRock Investment Management, LLC, 800 Scudders Mill Rd. Plainsboro, NJ 08536 ("Contractor").

ARTICLE II. PERIOD OF CONTRACT

TEA shall pay Contractor for the reasonable and approved costs incurred by Contractor in connection with the Contract Project during the period beginning 01/01/2009 and ending 08/31/2011, unless extended or terminated as otherwise provided for in this contract. Upon written mutual agreement of both parties, this contract may be extended for three (3) additional two (2) year terms to commence on the first day after the original contract period.

ARTICLE III. PURPOSES OF CONTRACT

Contractor shall perform all of the functions and duties set described herein and in the appendices to this Contract, which are attached hereto and incorporated by reference.

ARTICLE IV. PAYMENT UNDER CONTRACT

Subject to the availability to TEA of funds for the purpose(s) of this contract, TEA shall pay to Contractor by State of Texas warrant(s) an amount not to exceed \$1,449,000.00 for the performance, satisfactory to the TEA, of Contractor's functions and duties under the original term of this Contract. Payment to Contractor by TEA will be made only in accordance with the relevant appendices to this Contract, which are attached hereto and incorporated herein by reference.

ARTICLE V. GENERAL AND SPECIAL PROVISIONS OF CONTRACT

Attached hereto and incorporated herein by reference are the General Provisions and the Special Provisions indicated below with an "X" beside each:

- ☒ Special Provisions A, Contractor's FEI#
☒ Special Provisions C, Historically Underutilized Business Subcontracting Plan

- ☒ Special Provisions B, Specific Provisions

☐ Contractor is certified as a Historically Underutilized Business as defined in V.T.C.A., TX Government Code, §2161.001 (attach Certification.) If not certified, call the Texas Building and Procurement Commission at (512) 463-5872 or write TBPC (HUB), PO Box 13047, Austin, Texas 78711-3047 to learn about the HUB certification.

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. 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 that the former employee/retiree worked on while employed at TEA.

Contractor shall be an independent contractor for matters relating to this Contract. Contractor and its employees are not employees of TEA for any purpose and shall not be entitled to participate in any plan, arrangement, or distribution by TEA pertaining to or in connection with any pension, bonus, or other benefit extended to TEA employees.

AGREED and accepted on behalf of Contractor effective beginning on the date of the Contract as specified above and as indicated by signature below of a person authorized to bind Contractor.

Typed name: Richard J. Vella

Typed title: Managing Director


Authorized Signature


This section reserved for TEA use.

I, an authorized official of the Texas Education 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 13th day of January 2009 (month/year) by a person authorized to bind Agency.

Return three (3) copies with original signature to:
Catherine A. Civiletto
Deputy Executive Administrator
Texas Permanent School Fund

Texas Education Agency
1701 North Congress Avenue
Austin, Texas 78701-1494


Commissioner of Education or Designee

APPENDIX 1

- A. The definition of terms in the General Provisions are incorporated herein.
- B. The attached proposal submitted by BlackRock, Inc. for BlackRock Investment Management, LLC, dated 08/27/08, of which Documents C, D, E, F, G, H, and Sections I through IV are of a program nature, is incorporated herein by reference, and is therefore made a part of this contract.
- C. The terms, conditions, and requirements contained in the Request for Proposal entitled Investment Management Services for International Index Fund for the Texas Permanent School Fund, with a closing date of August 28, 2008, and identified as RFP#701-09-003, are incorporated herein by reference, although in the event of conflict, the General Provisions of the Standard Contract shall control.

APPENDIX 2

- A. The definition of terms in the General Provisions are incorporated herein.
- B. Description of Services/Activities:

BlackRock ("Contractor") proposes Investment Management Services to replicate the total return Morgan Stanley Capital International (MSCI) ACWI (All Country World Index) Index ex USA (net dividends) International Index Fund for the Texas Permanent School Fund ("Fund") in a separate account. All income will be made available to BlackRock for reinvestment according to procedures established by TEA.

Customized service delivery includes:

- 1) Managing foreign exchange transactions as directed in writing by TEA Fund authorized staff (See the attached Investment Management Agreement Section 2 on page ten (10). Such instructions, in the form of a letter, may change from time to time as needed and will be mutually agreed in a cross executed document, each party receiving an original for their files. Foreign currency balances will be minimized and will not be held in the account, subject to market constraints.
- 2) Reporting trades, including foreign exchange transactions, on a daily basis in the Fund specified format using codes specific to the Fund's system, so as the Fund can upload this data into the Fund's accounting systems. Such instructions, in the form of a letter, may change from time to time as needed and will be mutually agreed in a cross executed document, each party receiving an original for their files.
- 3). Monthly scheduled client service call to discuss open investment and/or operational issues either party may deem appropriate to discuss.
- 4). Regularly updated BlackRock service delivery team chart with email, phone and fax numbers for use by Fund staff.
- 5). Access to the Client Reporting web-site for viewing activity reports of the portfolio managed.

- C. Fee proposal:

Fixed, flat dollar fee: \$540,000.00 USD, per year, paid quarterly in arrears in four equal payments as follows for the periods indicated:

January 2009 – March 2009	\$135,000.00 due April 30, 2009
April 2009 – June 2009	\$135,000.00 due July 31, 2009
July 2009 – September 2009	\$135,000.00 due October 31, 2009 prorated as follows:
	July 2009 – August 2009 \$99,000.00
	September 2009 \$45,000.00
October 2009 – December 2009	\$135,000.00 due January 31, 2010

This payment pattern will repeat in the same fashion for the term of the contract.

GENERAL PROVISIONS

- A. As used in these General Provisions:
- *Contract* means TEA's Standard Contract, and all of TEA's attachments, appendices, schedules (including but not limited to the General Provisions and the Special Provisions), amendments and extensions of or to the Standard Contract;
 - *Agency or TEA* means the Texas Education Agency;
 - *Contractor* means the party or parties to this Contract other than TEA, including its or their officers, directors, employees, agents, representatives, consultants and subcontractors, and subcontractors' officers, directors, employees, agents, representatives and consultants;
 - *Project Administrator* means the respective person(s) representing TEA or Contractor, as indicated by the Contract, for the purposes of administering the Contract Project;
 - *Contract Project* means the purpose intended to be achieved through the Contract;
 - *Amendment* means a Contract that is revised in any respect, and includes both the original Contract, and any subsequent amendments or extensions thereto;
- B. **Contingency:** The Contract(s), including any amendments, extensions or subsequent contracts, are executed by TEA contingent upon the availability of appropriated funds by legislative act. Notwithstanding any other provision in this Contract or any other document, this Contract is void upon the insufficiency (in TEA's discretion) or unavailability of appropriated funds. In addition, this Contract may be terminated by TEA at any time for any reason upon notice to Contractor. Expenditures and/or activities for which Contractor may claim reimbursement shall not be accrued or claimed subsequent to receipt of such notice from TEA.
- C. **Indemnification:** Contractor shall hold TEA harmless from and shall indemnify TEA against any and all claims, demands, and causes of action of whatever kind or nature asserted by any third party and occurring or in any way incident to, arising from, or in connection with, any acts of Contractor in performance of the Contract Project.
- D. **State of Texas Laws:** In the conduct of the Contract Project, Contractor shall be subject to Texas State Board of Education rules pertaining to this Contract and the Contract Project, and to the laws of the State of Texas governing this Contract and the Contract Project. This Contract shall be interpreted according to the laws of the State of Texas except as may be otherwise provided for in this Contract.
- E. **Subcontracting:** Contractor shall not assign or subcontract any of its rights or responsibilities under this Contract without prior formal written amendment to this Contract properly executed by both TEA and Contractor.
- F. **Encumbrances/Obligations:** All encumbrances, accounts payable, and expenditures shall occur on or between the beginning and ending dates of this Contract. All goods must have been received and all services rendered during the Contract period in order for Contractor to recover funds due. In no manner shall encumbrances be considered or reflected as accounts payable or as expenditures.
- G. **Contractor's Proposal:** Contractor's proposal that was furnished to TEA in response to a request for proposal is incorporated in this Contract by reference. The provisions of this Contract shall prevail, however, in all cases of conflict arising from the terms of Contractor's proposal whether such proposal is a written part of this Contract or is attached as a separate document.
- H. **Requirements, Terms, Conditions, and Assurances:** The terms, conditions, and assurances, which are stated in the Request for Proposal, in response to which Contractor submitted a proposal, are incorporated herein by reference for all purposes, although the current General Provisions shall prevail in the event of conflict.
- I. **Sanctions for Failure to Perform or for Noncompliance:** If Contractor, in TEA's sole determination, fails or refuses for any reason to comply with or perform any of its obligations under this Contract, TEA may impose such sanctions as it may deem appropriate. This includes but is not limited to the withholding of payments to Contractor until Contractor complies; the cancellation, termination, or suspension of this Contract in whole or in part; and the seeking of other remedies as may be provided by this Contract or by law. Any cancellation, termination, or suspension of this Contract, if imposed, shall become effective at the close of business on the day of Contractor's receipt of written notice thereof from TEA.
- J. **Contract Cancellation, etc.:** If this Contract is cancelled, terminated, or suspended by TEA prior to its expiration date, the reasonable monetary value of services properly performed by Contractor pursuant to this Contract prior to such cancellation, termination or suspension shall be determined by TEA and paid to Contractor as soon as reasonably possible.

- K. **Refunds Due to TEA:** If TEA determines that TEA is due a refund of money paid to Contractor pursuant to this Contract, Contractor shall pay the money due to TEA within 30 days of Contractor's receipt of written notice that such money is due to TEA. If Contractor fails to make timely payment, TEA may obtain such money from Contractor by any means permitted by law, including but not limited to offset, counterclaim, cancellation, termination, suspension, total withholding, and/or disapproval of all or any subsequent applications for said funds.
- L. **Audit:** Pursuant to Section 2262.003 of the Texas Government Code, Contractor understands and agrees that (1) the state auditor may conduct an audit or investigation of any entity receiving funds from the state directly under the Contract or indirectly through a subcontract under the Contract; (2) acceptance of funds directly under the Contract or indirectly through a subcontract under the Contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds; and (3) under the direction of the legislative audit committee, an entity that is the subject of an audit or investigation by the state auditor must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit.
- M. **Family Code Applicability:** By signing this Contract, Contractor, if other than a state agency, certifies that under Section 231.006, Family Code, that Contractor is not ineligible to receive payment under this Contract and acknowledges that this Contract may be terminated and payment may be withheld if this certification is inaccurate. TEA reserves the right to terminate this Contract if Contractor is found to be ineligible to receive payment. If Contractor is found to be ineligible to receive payment and the Contract is terminated, Contractor is liable to TEA for attorney's fees, the costs necessary to complete the Contract, including the cost of advertising and awarding a second contract, and any other damages or relief provided by law or equity.
- N. **Dispute Resolution:** The dispute resolution process provided for in Chapter 2260 of the Texas Government Code must be used by TEA and Contractor to attempt to resolve all disputes arising under this Contract.
- O. **Signature Authority; Final Expression; Superseding Document:** Contractor certifies that the person signing this Contract has been properly delegated this authority. The Contract represents the final and complete expression of the terms of agreement between the parties. The Contract supersedes any previous understandings or negotiations between the parties. Any representations, oral statements, promises or warranties that differ from the Contract shall have no force or effect. The Contract may be modified, amended or extended only by formal written amendment properly executed by both TEA and Contractor.
- P. **Antitrust:** By signing this Contract, Contractor, represents and warrants that neither Contractor nor any firm, corporation, partnership, or institution represented by Contractor, or anyone acting for such firm, corporation or institution has, (1) violated the antitrust laws of the State of Texas under Tex. Bus. & Com. Code, Chapter 15, or the federal antitrust laws; or (2) communicated directly or indirectly the Proposal to any competitor or any other person engaged in such line of business during the procurement process for this Contract.
- Q. **Payment** for service(s) described in this Contract is contingent upon satisfactory completion of the service(s). Satisfaction will be determined by TEA's Project Administrator, in his sole discretion but in accordance with reasonable standards and upon advice of his superiors in TEA, if necessary. The Project Administrators of this Contract for TEA and Contractor shall be the following persons or their successors in office:

TEA

B. Holland Timmins
Executive Administrator and CIO
Permanent School Fund
Texas Education Agency
1701 N. Congress Avenue
Austin, Texas 78701
Phone: 512-463-9169
Fax: 512-463-9432

CONTRACTOR

Mr. Richard Vella
Managing Director
BlackRock Investment Management, LLC
40 East 52nd Street
New York, NY 10022
Phone: 212-810-8074
Fax: 212-810-8764

- R. **Notices:** All notices, reports, and correspondence required by this Contract shall be in writing and delivered to the following representatives of TEA and Contractor or their successors in office:

TEA

B. Holland Timmins
Executive Administrator and CIO
Permanent School Fund
Texas Education Agency
1701 N. Congress Avenue
Austin, Texas 78701
Phone: 512-463-9169
Fax: 512-463-9432

CONTRACTOR

Mr. Richard Vella
Managing Director
BlackRock Investment Management, LLC
40 East 52nd Street
New York, NY 10022
Phone: 212-810-8074
Fax: 212-810-8764

SPECIAL PROVISIONS - A

- A. The definitions of terms in the General Provisions are incorporated herein.
- B. Contractor shall provide TEA with Contractor's nine (9) digit Federal Employer's Identification Number (FEI#) or Social Security Number (SSN) if Contractor is an individual, or Contractor's fourteen (14) digit State of Texas Vendor's Identification Number (VIN). If Contractor is incorporated, Contractor shall also provide to TEA the corporation's charter number issued by the Texas Secretary of State's office.

Contractor's FEI#	<u>205319476</u>
Contractor's SSN	<u> </u>
Contractor's VIN	<u> </u>
Contractor's charter #	<u> </u>

Information provided by the Contractor will be verified by the TEA.

- C. TEA shall determine whether a payment law prohibits the Comptroller from issuing a warrant or initiating an electronic funds transfer to a person before TEA enters into a written contract with that person. Contractor who is indebted or owes delinquent taxes to the state will have any payments under the contract applied toward the debt or delinquent taxes owed the state until the amount is paid in full, regardless of when the debt or delinquency was incurred.

Contractor may verify their account status by accessing the Comptroller's website at:
<http://ecpa.cpa.state.tx.us/vendor/tpsearch1.html>. If the account status message is "on vendor hold," the contractor is advised to contact the Comptroller's Warrant Hold Section in the Division of Revenue Accounting at 1-800-531-5441 ext. 3-4561 for assistance in resolving the issue.

SPECIAL PROVISIONS - B

- A. The definitions of terms in the General Provisions are incorporated herein.
- B. All amendments to this Contract will be in a manner as prescribed by the Project Administrator of the Agency and will be made on AMENDMENT TO TEXAS EDUCATION AGENCY CONTRACT form supplied by TEA.
- C. Any amendment to this Contract will become effective upon execution by both parties.
- D. No funds shall be used to pay for food costs (i.e., refreshments, banquets, group meals, etc.) unless requested as a specific line item in the contract fee schedule in Appendix 1 by the Contractor and approved (prior to expenditures occurring) by TEA.
- E. Contractor shall make a good faith effort to comply with State of Texas Travel Guidelines. TEA may at its discretion approve requests for reimbursement of travel which exceed the State of Texas Travel Guidelines. Contractor shall maintain receipts in accordance with item L of the General Provisions. Receipts must be made available for programmatic or financial audit by TEA and by others authorized by law or regulation to make such an audit, for a period of not less than five (5) years.
- F. Unless otherwise indicated by TEA, payment under this Contract is only by reimbursement upon satisfactory performance of services. Payment will be made upon submission of properly prepared and certified invoices which detail the services provided during the invoice period and associated costs. Include the contract number, purchase order number, and the Texas Comptroller of Public Accounts Payee Identification Number (PIN) on all invoices/expenditure reports. The information provided on the invoice must coincide with the fee schedule detailed in Appendix 1 of this Contract. Payments will be made, after approval by TEA's Project Administrator, in accordance with the fee schedule detailed in Appendix 1 of this Contract.
- G. An encumbrance, accounts payable, and an expenditure as with all other contract accounting terms will be as defined by generally accepted accounting principles. All goods must have been received and all services rendered by the ending date of this Contract in order for the Contractor to include these costs as either expenditures or as accounts payable and, thereby, recover monies due. In no manner shall encumbrances be considered or reflected as accounts payable or as expenditures.
- H. The attached *Investment Management Agreement* between the Texas Education Agency on behalf of the State Board of Education and BlackRock Investment Management, LLC is of a program nature and is incorporated herein by reference and is therefore made a part of this contract:

Investment Management Agreement

Pages 10 through 18

This document, taken together with all sections of the Standard Contract, comprises the entire agreement between the Texas Education Agency ("TEA") and Contractor.

- I. The parties have agreed to delete General Provision C in this Contract and Section 13 of the *Investment Management Agreement* will govern Contractor's indemnity obligation to TEA.

**Investment Management Agreement Between
Texas Education Agency, on Behalf of the Texas State Board of Education
And
Blackrock Investment Management, LLC**

Texas Education Agency ("TEA"), being duly authorized by the State Board of Education, ("Board"), hereby appoints BlackRock Investment Management, LLC ("Manager"), an investment adviser registered under the Investment Advisers Act of 1940, as investment manager for certain of the non-United States international equity assets of the Board (the "Account"). In all instances included herein, TEA and the Permanent School Fund ("Fund") are interchangeable entities within the scope of this contract. The following terms and conditions apply:

SECTION 1. STANDARD TERMS AND CONDITIONS.

The General Provisions, included herein on pages five (5) through seven (7) are incorporated herein for all purposes as if set forth in full, and shall apply.

SECTION 2. COMMISSIONER'S CERTIFICATE OF INCUMBENCY.

The Board shall provide Manager with a Certificate of Incumbency through the Commissioner of Education of TEA setting forth the names and specimen signatures of the individuals authorized to act on behalf of the Board. The Executive Administrator of the Permanent School Fund ("Fund") functions directly with the State Board of Education through its Committee on School Finance/Permanent School Fund concerning investment matters. The Executive Administrator of the Fund and staff shall administer the Fund according to the Board's goals and objectives, execute all directives, policies, and procedures from the Board and the Committee on School Finance/Permanent School Fund, keep records and provide a continuous and accurate accounting of all Fund transactions, revenues, and expenses, and establish and maintain accounting policies and internal control procedures concerning all receipts, disbursements and investments of the Fund. Manager shall not be liable and shall be fully protected in relying upon any written notice, instruction, direction or other communication that Manager reasonably believed (based upon the most recent certificate received by Manager) to have been executed by an individual who is authorized to act on behalf of the Board.

SECTION 3. REPRESENTATIONS BY TEA.

The execution and delivery of this Agreement by TEA shall constitute the representation by the TEA that the terms of the Agreement do not violate any obligation by which the Board is bound, whether arising by contract, operation of law or otherwise, that the TEA has the power, capacity, and authority to enter into this Agreement on behalf of the Board and to perform in accordance herewith, and that this Agreement constitutes a valid and binding obligation of the TEA, enforceable against it in accordance with its terms, that the person(s) executing this Agreement on its behalf has (have) full power and authority to do so, and that the Fund is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act of 1933, as amended.

SECTION 4. REPRESENTATIONS BY MANAGER.

Manager represents warrants and covenants that:

- (a) it is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware and has the power and authority to carry on the business of an investment manager and has the power to execute, deliver and perform this Agreement;
- (b) this Agreement is the valid and binding obligation of Manager, and Manager shall discharge its duties 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 should use in the conduct of an enterprise of a like character and with like aims, and is enforceable against it in accordance with its terms except as limited by law;
- (c) it has made, obtained and performed all other registrations, filings, approvals, authorizations, consents, licenses or examinations required by any government or governmental or quasi-governmental authority, domestic or foreign, or required by any other persons, corporation, or other entity in order to execute, deliver and perform this Agreement and to be an investment manager;
- (d) it is authorized and/or registered under the laws of the United States to carry on the business of an investment manager;
- (e) neither the execution and delivery nor the performance of this Agreement by Manager will violate any law, statute, order, rule or regulation or judgment, order or decree by a federal, state, local or foreign court or governmental authority, domestic or foreign, to which Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound;
- (f) it has heretofore furnished to the TEA a true and complete copy of its most recent Form ADV as filed with the Securities and Exchange Commission and the TEA hereby acknowledges receipt of the same; and
- (g) since the date of such Form ADV, there has not been, occurred or arisen any material adverse change in the financial condition or in the business of Manager or any event, condition or state of facts which materially and adversely affects, or to its knowledge threatens to material affect, the business or financial condition of Manager;
- (h) Manager will timely submit all reports required by Board rules and operating procedures; and
- (i) Manager hereby submits a certificate of good standing or certification of account status that it is not delinquent in the payment of franchise taxes, issued by the Comptroller of the State of Texas; or, in the alternative, a certificate of exemption issued by the Comptroller of the State of Texas.
- (j) Manager is a Permanent School Fund ("PSF") Service Provider as defined by 19 TAC Chapter 33 and will comply with all requirements imposed upon PSF Service Providers.

SECTION 5. NOTICE OF CHANGED CONDITIONS.

Manager shall promptly notify the Fund in writing:

- (a) if any of the representations in this Agreement shall cease to be true at any time during the term of this Agreement;
- (b) of any change in Manager's directors, officers, or employees who exercise investment discretion with respect to the Account;
- (c) of any other material change in Manager's corporate organization or ability to perform hereunder;
- (d) upon the disposition of any material litigation that has a material adverse effect on Manager's financial condition or its ability to perform its duties or obligations hereunder; or
- (e) upon becoming aware of any material adverse change in Manager's financial condition.

SECTION 6. INVESTMENT.

- (a) The TEA hereby authorizes Manager to manage and administer the Account without prior consultation or approval of the TEA, subject, however, to such limitations, restrictions and objectives as set forth in Title 19 of the Texas Administrative Code Chapter 33 (19 TAC Chapter 33) the Statement of Investment Objectives, Policies and Guidelines, as amended; and, the Investment Procedures Manual of the Texas Permanent School Fund, as amended (collectively, the "Investment Policies"). The Investment Policies may be amended from time to time by the Board upon notice to Manager; provided, that such amended Investment Policies shall not affect any transaction initiated prior to the receipt thereof by Manager. The Fund shall not initiate any transaction for the Account, or terminate Manager's authority with respect thereto, without first notifying Manager. Manager has the authority to: (a) buy, sell, exchange, convert and otherwise trade in any and all stocks, bonds, and other securities Manager may deem advisable in the best interest of the Account and risk of the Fund, (b) place orders for the purchase or sale of securities for the Account with such persons, for execution in such markets, at such prices and at such commission rates, where applicable, as it deems appropriate in order to achieve best execution and lowest cost as set forth in 19 TAC Chapter 33 §33.40, Trading and Brokerage Policy, and (c) exercise or direct the exercise of any privilege or right attaching to the assets held in the Account, including voting rights or proxies (subject to Section 10 below) solicited by or with respect to the issuers of such assets. In selecting brokers and dealers to effect transactions, Manager will consider such factors as price, the brokers' or dealers' facilities and ability to effect the transactions, reliability and financial responsibility and any research or research-related services provided by such brokers or dealers. To the extent not otherwise prohibited by the Investment Policies, Manager may (a) effect transactions through cross-trading with other investment funds or portfolios maintained, trusted or managed by Manager or affiliate in compliance with Department of Labor Prohibited Transaction Exemption 2002-12 under ERISA, and (b) aggregate sales and purchase orders of securities held in the Account with similar orders being placed simultaneously for other accounts of Manager (if otherwise consistent with the Trading and Brokerage Policy), provided that such aggregated order prices, commissions and other expenses (if any) shall be equitably apportioned among participating accounts. It is understood that Manager has no responsibility for the overall diversification of the Fund's total assets, but

shall diversify the assets under its direct management, consistent with law, guidelines, and procedures referenced in this contract. Cash balances not invested in the asset class for which Manager is responsible shall be invested according to the direction of the Fund.

- (b) It is understood that the Manager shall seek to maintain a tracking error of less than plus or minus twenty-five (25) basis points at all times during the life of the contract. Tracking error is defined as the difference between the annualized rate of return of the funds under management versus the annualized rate of return of the benchmark index. This objective is a target only and, for the avoidance of any doubt, shall not be considered a guarantee of performance. Manager will report prospective tracking error on a weekly basis.

SECTION 7. TRANSACTIONS PROCESSING.

- (a) All transactions shall be consummated by payment to or delivery by the Fund or such person, firm, or corporation as the Fund may designate in writing (the "Custodian"), of all cash and/or all securities due to or from the Account. Manager shall not act as custodian for the Account to take or have possession of any assets of the Account. Instructions of the Fund to Manager and/or Custodian shall be made in writing or orally and confirmed in writing as soon as practicable thereafter, and Manager shall instruct all brokers executing orders on behalf of the Account to forward to the Fund, the Custodian, and/or other designees copies of all brokerage confirmations promptly after execution of transactions. Manager undertakes to exercise all reasonable care and diligence in its choice of brokers and, in the event any broker fails to deliver any necessary documents or to pay any amount due, Manager upon request of and appropriate authorization by Fund will endeavor to pursue on behalf of the Account all appropriate legal remedies against such broker, it being understood that the Fund shall be responsible for all fees and expenses incurred in connection with pursuing such remedies.
- (b) Manager shall electronically give notice of transactions in a manner and format, and in accordance with deadlines as directed by the Fund and/or its delegate and shall transmit a copy of each original trade ticket either via facsimile or by an electronic format approved by the Fund.
- (c) Manager shall furnish daily electronic data for the purposes of interfacing with the Investment Accounting System of the Fund in the current format determined by the Fund, commencing with the first day of this contract.
- (d) From time to time, such data requirements may change and Manager will be properly instructed in writing of necessary changes. Such directions will take the form of a letter from an authorized Fund director and will be cross-executed by Manager to indicate mutual acceptance of the directions. Manager shall have no more than thirty (30) days from such cross-executed notice to make changes in electronic data formats for purposes of interfacing with any new or modified format of the Investment Accounting System of the Fund.

SECTION 8. ACCOUNTING.

- (a) Manager will maintain complete records of principal, interest, dividends and accruals for all applicable transactions using methods specified by the Fund and shall furnish written statements of account and valuation of the investment assets during the term of this Agreement and such other reports as are agreed upon by the parties or required for accounting, audit, regulatory or disclosure purposes from time to time. Manager will additionally provide a monthly

reconciliation of assets between Manager's, and Custodian's records, including a full explanation of any discrepancies. Monthly reconciliations will be delivered no later than three business days prior to the end of the following month. The monthly reconciliation will be in a format prescribed by the Fund. Manager shall furnish daily and monthly data required to comply with the state comptroller's accounting and reporting requirements. The Fund may upon reasonable notice and in the same manner as for directing trades, provide for the addition or deletion of certain specified assets from the Account.

- (b) The Manager, at the Fund's request, will provide access to its account information electronically, via the World Wide Web, based upon the Fund's use of user ids and passwords provided by the Manager. The Fund acknowledges and agrees the World Wide Web is a continually growing medium and the Manager does not make any warranty regarding the security related to the World Wide Web. The Fund must be aware there is no absolute guaranteed system or technique to fully secure information made available over the web. TEA agrees that it will not share its user id, password, and access to information provided electronically with any third party.

SECTION 9. REPORTS.

- (a) The Fund shall instruct the Custodian to provide Manager and the Fund with such periodic reports concerning the status of the Account as Manager may reasonably request from time to time. Manager shall provide industry standard quarterly portfolio management and evaluation reports according to but not limited to the format, delivery mode and timing reasonably determined by the Fund. Manager shall, on invitation, attend meetings with representative of the Board to discuss the account and the immediate investment outlook, or shall submit its views as requested in writing. For purposes of reports, portfolio statements, performance and other information provided by Manager to the Board/Fund, each investment in the Account shall be valued at the most recent closing price on the principal exchange where the security is traded, provided, that if quotations are not available for any particular investment, such investment shall be valued in a manner determined in good faith by Manager. The Board/Fund understands that the pricing supplied by Manager may not be the same as the Custodian's pricing.
- (b) Manager understands that certain reports and information routinely provided to the Fund is utilized in management reports that are shared with the Board. Such information includes but is not limited to, holdings, transactions, broker commissions, proxy votes, performance returns, and manager fees. This information is considered public information and not confidential.

SECTION 10. VOTING.

Manager is authorized to exercise proxy voting rights with respect to issuers of securities in which assets in the Account are invested, which votes will be made in accordance Manager's Proxy Voting Policies and Procedures and with 19 TAC Chapter 33 Section 33.45, Proxy Voting Policy, provided that, in the event of any inconsistency between Manager's policies and the Proxy Voting Policy, the Proxy Voting Policy shall control. Manager shall use its best efforts to cast proxy votes prior to the deadline established by issuers of the relevant securities, but the Fund acknowledges (i) proxy voting procedures, and the communication or proxy voting matters, in certain non-US markets is such that Manager, with no fault, may not always be able to cast timely proxy votes, and (ii) Manager may elect not to cast proxy votes in certain non-U.S. markets if, in Manager's opinion, any restrictions on transfer that would be imposed in connection with such proxy vote under the prevailing rules and

practices of such non-U.S. market outweigh any benefits of casting such proxy vote. Manager will maintain a record of proxy votes made on behalf of the Account, which will be made available to the Fund upon request. Manager will report all votes against management on a monthly basis.

SECTION 11. FEES.

- (a) For the service to be rendered by Manager, the TEA shall pay Manager a flat annual fee of \$540,000.00 USD. The fee shall be invoiced quarterly in arrears by the Manager at a pro rata rate of one-fourth (1/4) of the annual fee and shall be payable by the TEA within thirty (30) days after receipt of the invoice.
- (b) The fee schedule is set forth on page four (4) as Appendix 2 hereto.

SECTION 12. CHALLENGE TO VALUATION.

Manager shall have until the fourth (4th) business day of the month to challenge Custodian's month end prices. Custodian will review all questionable prices with pricing sources and adjust the price if warranted. Custodian shall then reissue month end reports for any Account in which an individual security price changes impacts the Account by more than five (5) basis points. Individual security price changes that affect Account market values by less than five (5) basis points will not be changed. Fee calculations will take into consideration the revised Custodian's Total Net Assets at Market total from the revised month end report.

SECTION 13. LIABILITY OF MANAGER.

- (a) 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. 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".
- (b) Further, Manager shall obtain from an insurer satisfactory to the Fund (and provide to the Fund a certificate of and periodic evidence of its existence) such adequate fiduciary liability or other comparable insurance to reasonably assure payment of the indemnity provided in Section 14(a). Manager shall not be responsible for any loss incurred by reason of any act or omission of any custodian of securities subject to this Agreement or of any broker or dealer with whom it has been authorized to transact business with respect to the Account unless it shall have negligently acted or negligently failed to have acted as to the selection of such dealer or broker.

SECTION 14. FIDUCIARY DUTIES; SERVICE TO OTHER CLIENTS.

The TEA acknowledges that Manager has assumed no responsibility by this Agreement other than to render the services called for herein in accordance with the duties and standards applicable thereto. Manager agrees that in the exercise of its contractual obligations as an investment manager of the Account, and without limitation as to any other legal standards applicable to its performance as a fiduciary, it will act with the same care, skill, prudence, and diligence under the prevailing circumstances that a prudent person, who was familiar with such matters, would exercise when acting in a like capacity and in a similar enterprise having similar purpose. It is understood that Manager performs investment management services for various clients other than the Fund, some of whom have investment objectives similar to those of the Fund. Manager and its employees and affiliates may give advice and take action for their own account or for the account of other clients that may differ from the advice given to the Fund or the timing or nature of action taken with respect to investments in the Account.

The TEA further understand and agrees that nothing contained in this Agreement shall be deemed to impose upon Manager any obligation to purchase or sell, or to recommend for purchase or sale, for the Account any security or other asset that Manager or its employees or affiliates may purchase or sell for their own account or for the account of any other client, if in the sole discretion of Manager it is for any reason undesirable or impracticable to take such action or make such recommendation for the Account. Manager acts as the general partner or investment adviser to certain commingled investment partnerships and funds in which it may have an interest, but does not have a proprietary trading account.

SECTION 15. GOVERNING LAW AND JURISDICTION.

Applicable federal law and the laws of the state of Texas shall govern the interpretation of this Agreement. Texas Government Code Chapter 2260 governs the resolution of contract claims arising under this contract. Any subsequent suit arising under this agreement, including but not limited to matters concerning validity, construction, performance, or enforcement shall lie exclusively in the district courts of Travis County, Texas or in the federal district court of the Western District of Texas.

Notwithstanding that any questions of law or fact in such dispute and any other dispute which may be common with respect to any other contract or arrangement between Manager and any other parties with whom Manager may have in the past or may in the future have a similar contractual relationship, Manager further agrees that in any dispute between the parties hereto that Manager shall not be entitled to seek a stay, transfer or consolidation with any other dispute(s) then pending or thereafter brought by any party involving Manager and any third party not party to this Agreement; provided however, that this Agreement shall not be construed to prohibit such other litigation from being transferred to the court in which the dispute between the parties hereto is pending and then consolidated into such suit.

SECTION 16. NOTICES.

All notices, instructions and advices with respect to security transactions, or any other matters contemplated by this Agreement shall be deemed duly given if transmitted by first-class mail (postage prepaid, return receipt requested), by facsimile which has been confirmed, by a reputable overnight delivery service which provides evidence of receipt or hand-delivered with acknowledgment to Manager at the address appearing below, to the Board at the address below, and to the Custodian at such address as it may specify to Manager in writing, or at such address or addresses as shall be specified, in each case, in a notice similarly given.

MANAGER:

BlackRock Investment Management, LLC
Mr. Richard Vella
Managing Director
40 East 52nd Street
New York, NY 10022
Telephone: 212-810-8074
Facsimile: 212-810-8764

TEXAS EDUCATION AGENCY:

Holland Timmins
Executive Administrator and Chief Investment Officer
Permanent School Fund
Texas Education Agency
1701 N. Congress Avenue
Austin, Texas 78701
Telephone: 512-463-9169
Facsimile: 512-463-9432

SECTION 17. EFFECTIVE DATE.

This Agreement shall be effective January 1, 2009. Any amendment to this Agreement will be made on AMENDMENT TO TEXAS EDUCATION AGENCY CONTRACT form supplied by TEA and shall be signed by both parties to this Agreement.

SECTION 18. TERMINATION.

Manager may be terminated at any time by written notice from the TEA, and Manager may terminate this Agreement upon thirty (30) days' written notice to the TEA. There shall be no penalty for such termination and the fee for the final period shall be adjusted proportionately. Such termination shall not, however, affect the rights or obligations of the parties under this Agreement arising prior to such termination, including transactions initiated prior to such termination. The terms and provisions of Sections 11 and 13 shall survive termination of this Agreement. No assignment, as that term is defined in the Investment Advisers Act of 1940, of this Agreement shall be made by Manager

without the written consent of the TEA or its designee nor is this Agreement assignable by the TEA, save and except that the TEA may assign this Agreement pursuant to the provisions of Section 43.006 of the Texas Education Code, and shall notify Manager of said assignment 14 days prior to said assignment.

SECTION 19. DISCLOSURE OF CONFLICTS.

Manager discloses the following conflicts for purposes of 19 TAC Chapter 33 Section 33.5(g):

- (a) Manager may have conflicts with respect to the sequencing of non-aggregated transactions among its accounts, cross-trading and other matters discussed in Manager's Form ADV. Manager's policies for managing any such conflicts are disclosed in Manager's Form ADV.
- (b) Manager or its affiliates may have investment, investment banking or other financial relationships with the issuers of securities that are held in the Account. Employees of Manager or its affiliates may act as advisers to, or directors of, such issuers, which at times may preclude Manager from effecting transactions on the Account's behalf in securities of such companies or present Manager with a potential conflict of interest in voting the proxies of such companies.
- (c) Affiliates of Manager may provide brokerage, dealer, underwriting or advisory services to, the issuers of securities that are held in the Account and other parties and, in the course of such activities, certain personnel of such affiliates may learn material information relating to such securities which they cannot disclose to Manager due to confidentiality, "Ethical Wall" or other legal considerations.
- (d) Manager may have views and take actions with respect to the Account that are not consistent with actions taken, or research opinions published by, affiliates of the Manager.

Manager shall disclose other specific conflicts that may arise to the extent required by applicable law.

Special Provision C

DOCUMENT-I

**Texas Education Agency
Historically Underutilized Business
Subcontracting Plan (HSP)**

In accordance with Texas Government Code § 2161.252, Texas Education Agency (TEA) has determined that subcontracting opportunities are probable under this contract. Therefore, respondents including State of Texas certified Historically Underutilized Businesses (HUBs) must complete and submit a State of Texas HUB Subcontracting Plan (HSP) with their solicitation response.

NOTE: Responses that do not include a completed HSP shall be rejected pursuant to TGC § 2161.252 (b)

The HUB Program promotes equal business opportunities for economically disadvantaged persons to contract with the State of Texas in accordance with the goals specified in the State of Texas Disparity Study. The HUB goals defined in 34 TAC §20.13, are: 11.9% - for Heavy Construction other than building contracts, 26.1% - for all Building Construction, including general contractors and operative builders contracts, 57.2% - for all Special Trade Construction contracts, 20% - for Professional Services contracts, 33% - for all Other Service contracts and 12.6% - for Commodities contracts.

-- Agency Special Instructions/Additional Requirements --

SECTION 1 - RESPONDENT AND SOLICITATION INFORMATION

Respondent (Company) _____ State of Texas
a. Name: BlackRock VID #: _____
Point of Contact: Obie McKenzie Phone #: 212-810-8085
Is your Company a State of Texas
b. certified HUB? ☐ - Yes ☐ - No
c. Solicitation #: 701-09-003

SECTION 2 - SUBCONTRACTING OPPORTUNITIES

TEA has identified probable subcontracting opportunities by NIGP Class and Item codes in the table below. However, TEA acknowledges there may be additional subcontracting opportunities. After having divided the contract work into reasonable lots or portions to the extent consistent with prudent industry practices, the respondent must identify what portion(s) of work, including goods or services, will be subcontracted.

Note: In accordance with 34 TAC§20.12, a "Subcontractor" means a person who contracts with a vendor to work, to supply commodities, or contribute toward completing work for a governmental entity.

Check the appropriate box regarding the subcontracting opportunity(s):

☐ - Yes, I will be subcontracting portion(s) of the contract.

(If Yes, in the spaces provided below, list any additional portions of work, not identified by TEA, that you will be subcontracting*, and go to SECTION 3)

☒ - No, I will not be subcontracting any portion of the contract, and will be fulfilling the entire contract with my own resources. (If No, complete SECTION 9 and 10)

Line Item # - Subcontracting Opportunity Description	Line Item # - Subcontracting Opportunity Description
(1)-	(6)-
(2)-	(7)-
(3)-	(8)-
(4)-	(9)-
(5)-	(10)-

*To list additional subcontracting opportunities, a continuation page is available at
<http://www.tea.state.tx.us/tea/hub/index.html>

Enter your company's

Solicitation #:

IMPORTANT: You must complete a copy of this page for each portion of the contract that you will be subcontracting. You may photocopy this page or download copies at <http://www.tea.state.tx.us/tea/hub/index.html>.

SECTION 3 – RESPONDENT SUBCONTRACTING OPPORTUNITIES

Enter the line item number and description for the portion of work listed in SECTION 2, which you will be subcontracting.

Line Item # _____ Description: _____

SECTION 4 – MENTOR-PROTÉGÉ PROGRAM

If respondent is participating as a Mentor in a State of Texas Mentor-Protégé Program, submitting their Protégé (Protégé must be a State of Texas certified HUB) as a subcontractor to perform the portion of work (subcontracting opportunity) listed in SECTION 3, constitutes a Good Faith Effort towards that specific portion of work.

Will you be subcontracting the portion of work listed in SECTION 3 to your Protégé?

☐ - Yes, (If Yes, complete SECTION 8 and 10) ☐ - No/Not Applicable (If No or Not Applicable, go to SECTION 5)

SECTION 5 – PROFESSIONAL SERVICES CONTRACTS ONLY

This section applies to Professional Services Contracts only. All other contracts go to SECTION 6.

Does your HSP contain subcontracting of 20% or more with HUB(s)?

☐ - Yes (If Yes, complete SECTION 8 and 10) ☐ - No/Not Applicable (If No or Not Applicable, go to SECTION 6)

In accordance with TGC §2254.002, "Professional Services" means services: (A) within the scope of the practice, as defined by state law of accounting; architecture; landscape architecture; land surveying; medicine; optometry; professional engineering; real estate appraising; or professional nursing; or (B) provided in connection with the professional employment or practice of a person who is licensed or registered as a certified public accountant; an architect; a landscape architect; a land surveyor; a physician, including a surgeon; an optometrist; a professional engineer; a state certified or state licensed real estate appraiser; or a registered nurse.

SECTION 6 – NOTIFICATION OF SUBCONTRACTING OPPORTUNITY

Complying with a, b and c of this section constitutes a Good Faith Effort towards the portion of work listed in SECTION 3.

After performing the requirements of this section, complete SECTION 7, 8 and 10.

- a. Provide written notification of the subcontracting opportunity listed in SECTION 3 to three (3) or more HUBs. Use the State of Texas' Centralized Master Bidders List (CMBL), found at <http://www2.cpa.state.tx.us/cmb/cmbhub.html> and its HUB Directory, found at <http://www2.cpa.state.tx.us/cmb/hubonly.html> to identify available HUBs.¹
- b. Provide written notification of the subcontracting opportunity listed in SECTION 3 to a minority or women trade organization or development center to assist in identifying potential HUBs by disseminating the subcontracting opportunity to their members/participants. A list of trade organizations and development centers may be accessed at <http://www.window.state.tx.us/procurement/prog/hub/mwb-links-1/>.¹
- c. Written notifications should include the scope of work, information regarding the location to review plans and specifications, bonding and insurance requirements, required qualifications and identify a contact person. Unless TEA has specified a different time period, you must allow the HUBs no less than five (5) working days from their receipt of notice to respond and provide notice of your subcontracting opportunity to a minority or women trade organization or development center no less than five (5) working days prior to the submission of your response to TEA.

SECTION 7 – HUB FIRMS CONTACTED FOR SUBCONTRACTING OPPORTUNITY

List three (3) State of Texas certified HUBs you notified regarding the portion of work (subcontracting opportunity) listed in SECTION 3. Specify the vendor ID number, date you provided notice and if you received a response.¹

Company Name	VID #	Notice Date	Was Response
			<input type="checkbox"/> - Yes <input type="checkbox"/> - No
			<input type="checkbox"/> - Yes <input type="checkbox"/> - No
			<input type="checkbox"/> - Yes <input type="checkbox"/> - No

SECTION 8 – SUBCONTRACTOR SELECTION

List the subcontractor(s) you selected to perform the portion of work (subcontracting opportunity) listed in SECTION

3. Also, specify the percentage of work be subcontracted, the approximate dollar value of the work to be subcontracted and indicate if the company is a Texas certified HUB.

Company Name	VID #	Expected % of Contract	Approximate Dollar Amount	Texas Certified HUB?
				<input type="checkbox"/> Yes <input type="checkbox"/> No*
				<input type="checkbox"/> Yes <input type="checkbox"/> No*

*If the subcontractor(s) you selected is a non HUB, provide written justification of your selection process below:

SECTION 9 – SELF PERFORMANCE JUSTIFICATION

(If you responded “No” to SECTION 2, you must complete SECTION 9 and 10)

Provide justification, in the space provided below, on how you intend to complete the entire contract using your own employees, materials, supplies and equipment. Attach any supporting documentation.

BlackRock has a staff of over 5,000 professional employees including over 750 investment professionals who will adequately meet the needs of this mandate.

SECTION 10 – AFFIRMATION

As evidenced by my signature below, I affirm that I am an authorized representative of the respondent, listed in SECTION 1, and that the information and supporting documentation submitted with the HSP are true and correct. Respondent understands and agrees that, if awarded any portion of the solicitation:

- The respondent must submit monthly compliance reports (Prime Contractor Progress Assessment Report (PAR) to the TEA HUB Coordinator, verifying their compliance with the HSP, including the use/expenditures they have made to subcontractors.
(The PAR is available at <http://www.tea.state.tx.us/tea/hub/index.html>)
- The respondent must seek approval from TEA prior to making any modifications to their HSP. If the HSP is modified without TEA's prior approval, respondent may be subject to debarment pursuant to TGC § 2161.253(d).
- The respondent must, upon request, allow TEA to perform on-site reviews of the company's headquarters and/or work-site where services are to be performed and must provide documents regarding staff and other resources.



Signature

Obie McKenzie
Printed Name

Managing Director
Title

8/27/08
Date