



**TEXAS EDUCATION AGENCY**

William B. Travis Building  
1701 North Congress Avenue  
Austin, Texas 78701-1494

**Request for Proposal**

**Investment Management Services for International Index Fund for the  
Texas Permanent School Fund**

**RFP No: 701-09-003**

Authorized by Article VII Section 5 of the Texas Constitution

<p>PROPOSAL DELIVERY LOCATION:</p> <p>Purchasing &amp; Contracts, Rm. 2-135 Texas Education Agency 1701 N. Congress Ave. Austin, TX 78701-1494</p>	<p>REFER INQUIRIES TO:</p> <p>E-mail: <a href="mailto:PSFRFP@tea.state.tx.us">PSFRFP@tea.state.tx.us</a></p> <p>Beginning: Monday, August 4, 2008 Ending: Friday, August 8, 2008</p>
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**PROPOSAL DUE DATE and TIME: Thursday, August 28, 2008 3:00 PM, Central Time**

**WITHOUT EXCEPTION – A proposal must be date and time stamped by TEA Purchasing and Contracts before the proposal due date and time, above.**

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Pursuant to the Provisions of the Texas Government Code Title 10 Subtitle D Chapter 2156.121 – 2156.127, sealed proposals will be received until the date and time established for receipt. After receipt, only the names of the Proposers may be made to the public. Prices and other proposal details may only be divulged after award of a contract, if a contract is awarded.

Pursuant to Chapter 2155.131 of the Texas Government Code and pursuant to 34 Texas Administrative Code (TAC) §20.41, the Texas Comptroller of Public Accounts (Comptroller) has delegated authority to the Texas Education Agency to conduct this Request for Proposal and to award a contract for the purposes stated herein.

All written requests for information will be communicated to all applicants known to the agency.

All proposals shall become the property of the State of Texas upon receipt.

All proposals must be delivered to the Texas Education Agency Purchasing & Contracts as required by the instructions within this request.

All addenda to and interpretation of this solicitation shall be in writing. The State shall not be legally bound by an addenda or interpretation that is not in writing.

Failure to formalize the terms of the proposal by signing the "Execution of Offer," can disqualify the proposal. Proposers must identify in writing any General Provision term or condition that is not feasible with the submission of the proposal to this RFP. If a proposal is signed and submitted without specifically identifying all General Provisions that are not feasible, TEA will not negotiate the General Provisions.

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# REQUEST FOR PROPOSAL

## Investment Management Services for International Index Fund for the Texas Permanent School Fund

### SECTION ONE: INTRODUCTION AND PURPOSE

#### 1.1 PURPOSE OF THE REQUEST FOR PROPOSAL (RFP)

It is the intent of the Texas Education Agency (TEA) to solicit proposals to provide Investment Management Services for the Permanent School Fund in accordance with all requirements stated herein. The State Board of Education (SBOE) and the TEA, on behalf of the Texas Permanent School Fund (TPSF) are requesting proposals from qualified investment advisory firms, companies, or business entities in order to select one firm to manage a passive MSCI ACWI ex USA (net dividends) long-only index portfolio. The strategic asset allocation policy adopted by the SBOE in July 2006, established a long-term asset allocation target of 18 percent of total assets to developed and emerging market large cap international equity. This asset class is benchmarked against the Morgan Stanley Capital International (MSCI) ACWI (All Country World Index) Index ex USA (net dividends) and is valued at \$4.0 billion.

The investment objective of this mandate is a **separately managed portfolio** that will match or exceed the investment returns of the benchmark index. The international equity index portfolio will participate in a securities lending program managed by the Permanent School Fund's securities lending agent.

Firms submitting proposals must be Registered Investment Advisors with the Securities & Exchange Commission (SEC) and have demonstrated experience in similar engagements with large institutional clients, endowments, or foundations. TEA reserves the right to award contracts to more than one firm providing investment management in order to obtain service that is in the best interest of the TPSF.

#### 1.2 BACKGROUND INFORMATION

##### 1.2.1 Texas Permanent School Fund Overview

The Texas State Board of Education (SBOE) is responsible for the management of the Texas Permanent School Fund (TPSF) under Article VII of the Constitution of the State of Texas. The goal established by the SBOE for the TPSF is to obtain the greatest amount of income and capital appreciation consistent with the safety of principal. The investment staff of the TPSF implements the policies of the SBOE and administers the TPSF according to SBOE goals and objectives. The TPSF staff functions as part of the internal operations of the Texas Education Agency (TEA) under the direction of the Commissioner of Education.

As of June 30, 2008, the TPSF is a \$23.5 billion fund constitutionally created to provide a growing capital base to contribute to the public school system of Texas. This arrangement lessens the cost of public education to the citizens of the State. On July 7, 2006, the SBOE approved a new strategic asset allocation policy to diversify the TPSF assets into alternative asset classes whose returns are not as correlated to traditional asset classes. It is expected that over time, this shift will provide incremental total return at reduced risk. It is anticipated that the new target asset allocation will be implemented over multiple years and that asset classes will be strategically added commensurate with the economic environment and the goals and objectives of the SBOE.

##### 1.2.2 Regulation and Administration

The TPSF is regulated by Article VII of the Texas Constitution. In 1988, Section 5(d) was approved by the voters of the State which allowed the TPSF to be managed by the prudent person standard. Links to the following legal documents are in **EXHIBIT A**:

- a. Article VII of The Texas Constitution
- b. Chapter 33 of the Texas Administrative Code: Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund
- c. Chapter 43 of the Texas Education Code: Permanent School Fund and Available School Fund

The SBOE manages the TPSF through the Committee on School Finance/Permanent School Fund (Committee), which is comprised of five of the fifteen members of the SBOE. The TPSF is administered by the Investment Office of the Texas Education Agency, pursuant to the policies established by the SBOE. The Investment Office is headed by the Executive Administrator. For internal administrative purposes, the Investment Office reports to the Commissioner of Education. For TPSF management purposes, the investment staff meets periodically with the Committee on School Finance/Permanent School Fund to report on the investment activities of the TPSF.

Additional information about TEA is available at the TEA website. Links to additional information are in **EXHIBIT A**.

### 1.3 MINIMUM QUALIFICATIONS OF THE PROPOSER

The SBOE will select the firm whose proposal demonstrates, in its judgment, the competence and experience to provide the best overall results and service. The firm selected must meet requirements established by State Law, the TEA, the SBOE, the State Comptroller, and the State Auditor.

Minimum qualifications for firms: All firms submitting proposals for the mandate stated above, must at a minimum:

- a. provide evidence of firm stability and financial strength;
- b. be an investment advisor registered with the SEC under the Investment Advisors Act of 1940 and provide its full Form ADV;
- c. act as a fiduciary with respect to work performed and with respect to any specific recommendations made for TPSF;
- d. have a total of US\$4 billion or more of passive international equity assets under management for institutional clients;
- e. have a minimum of five (5) years experience of passive management of international equity assets and provide audited and certified Performance Presentation Standards (PPS) or Global Investment Performance Standards (GIPS) of the CFA Institute compliant performance data for product mandate under this RFP, including, but not limited to, tracking error data (note: simulated or back tested results for any or all of this period are not acceptable) ;
- f. demonstrate having provided investment management services to institutional tax-exempt organizations, and must currently have at least three (3) institutional public fund, endowment, or foundation clients, each client with no less than ten (\$10) billion, and prefer twenty(\$20) billion or greater in total fund assets;
- g. The proposing firm must agree, if tentatively selected, to enter into good-faith fee negotiations. The fee structure provided must represent your proposed fee, not simply a reproduction of your standard fee schedule. Proposed fees should be stated using an asset-based formula.
- h. comply with provisions stated in Chapter 33 of the Texas Administrative Code: Statement of Investment Objectives, Policies, and Guidelines of Texas Permanent School Fund;
- i. comply with provisions stated in the Investment Procedures Manual of the Texas Permanent School Fund, **EXHIBIT B**.

Minimum qualifications for lead investment professionals: The lead investment professionals assigned to the TPSF account **must**:

- j. Have a minimum of three (3) years with the firm;
- k. Have a minimum of five (5) years experience providing investment management to clients with at least ten (\$10) billion in assets, and prefer public fund or endowment client experience.
- l. Have a minimum of ten (10) years relevant investment experience, the majority of which must be in investment management.

Proposers must complete and return the Statement of Minimum Qualifications contained in **DOCUMENT C**. Failure to complete this information can disqualify the proposal, at the sole discretion of the TPSF.

#### **1.4 MINIMUM COMPLIANCE RELATED TO THE PROCUREMENT PROCESS**

Of particular significance to this procurement process is the need to comply with the following provisions of the Investment Procedures Manual related to communications between parties.

From the time that a RFP is distributed by TEA staff to prospective Proposers from whom the SBOE will be requesting outside expertise, any communication by a prospective Proposer with any member of the SBOE must be in writing and filed with the Executive Administrator of the TPSF. The Executive Administrator of the TPSF will provide written questions and answers thereto to each person or entity to which a RFP has been sent.

- a. The communication filed with the Executive Administrator must specify the SBOE member to whom communication was dispatched, the date, the nature of the communication and its purpose.
- b. All communications received by the Executive Administrator will be logged by time received, the firm or individual identified.
- c. Upon receipt, the Executive Administrator shall forward copies of the communication to other members of the SBOE not in receipt of the communication.

From the time that the response to the RFP is due through and including the day of selection by the SBOE, no communication is permitted with any SBOE member.

Any proposer seeking to provide outside expertise to the TPSF and found in violation of this procedure shall be disqualified from the RFP or evaluation process with respect to the applicable RFP.

Prospective proposers providing outside expertise shall further comply with all other statutory provisions regulating RFPs.

#### **1.5 SCOPE OF WORK**

The SBOE desires to contract with an investment firm, company or business entity to provide the following service: Investment management services for a passive international equity (long-only) index portfolio mandate benchmarked to the MSCI ACWI (All Country World Index) Index ex USA (net dividends) with a tracking error budget not to exceed 25 basis points (Barra or similar risk model). The proposal should also include a discussion of, but not limited to, the methodology, time line and expected tracking error, portfolio turnover ratio, holdings and country weights of proposed product. For the purpose of discussion only, the proposer may assume a portfolio mandate size of US\$4 billion.

The investment policies and guidelines prohibit the use of options, portfolio leverage, and cross-currency hedging. The portfolio will participate in a securities lending program managed by the TPSF's securities lending agent. The investment manager will be responsible for executing foreign exchange transactions. The investment manager will be responsible for monitoring and making

decisions related to corporate action issues. The investment manager will also be responsible for voting proxies according to PSF policies and guidelines.

**Travel expenses must be included in the fee and cannot be billed separately.** Any travel for activities outside the normal scope of work must be approved in advance by the SBOE to receive reimbursement. Any reimbursement for travel expenditures will be at State approved rates in accordance with State travel regulations.

#### **1.6 CONTRACT TERM/OPTION TO EXTEND**

The initial term of any contract resulting from this RFP shall be at least from contract award until August 31, 2011. TEA, at its own discretion, may negotiate a different initial term. TEA may extend any contract awarded pursuant to this RFP for up to three (3) additional two (2) year periods under the same or different terms. If renewed, the maximum term of the contract will not extend beyond August 31, 2017.

#### **1.7 FEE PROPOSAL**

Proposers **must** submit a fee proposal for the services being offered.

Fee proposals **must** reflect services offered meeting the requirements stated throughout this RFP. TEA reserves the right to award contracts to more than one firm providing investment management services in order to obtain service that is in the best interest of the TPSF.

The fee proposal format is stated in **DOCUMENT H**.

## SECTION TWO: GENERAL INSTRUCTIONS AND STANDARD PROPOSAL REQUIREMENTS

All proposals in response to this request must meet the following conditions in order to be considered. Failure to meet these conditions shall result in disqualification of proposal and the proposal shall receive no further consideration.

### 2.1 PROPOSAL SUBMISSION, DATE, AND TIME

PROPOSAL DUE DATE and TIME: **Thursday, August 28, 2008 3:00 PM, Central Time**

- ✓ WITHOUT EXCEPTION – A proposal must be date and time stamped by the **TEA Purchasing & Contracts staff before the proposal due date and time.**
- ✓ WITHOUT EXCEPTION – All data must be loaded into the **eVestment Alliance database before the proposal due date and time. (DOCUMENT F-1)**
- ✓ WITHOUT EXCEPTION – A proposal **will not be accepted** by facsimile transmission (FAX).

Proposals must be submitted as follows:

- ✓ In sealed box(es);
- ✓ Proposer's name, prominently displayed on each box;
- ✓ RFP No.: **701-09-003**, prominently displayed on each box;
- ✓ Closing date: **August 28, 2008**, prominently displayed on each box;
- ✓ Indicate: box # of total box #, prominently displayed on each box;
- ✓ Addressee: **Purchasing & Contracts, Rm. 2-135  
Texas Education Agency  
William B. Travis Bldg.  
1701 N. Congress Ave.  
Austin, TX 78701-1494**
- ✓ Box **15** printed copies and **45** CDs (See: [Sect. 3 Proposal Format and Content](#))
- ✓ Package CDs separately, do not place CDs inside individual proposal responses;
- ✓ Proprietary etc., clearly marked (See: [Sect 2.6 Disclosure of Proposal Content](#)).

Proposers must sign the "Execution of Offer, Affirmation of Terms and Conditions, and Proposal Preferences" **DOCUMENT J**. By signing, the Proposer or the Proposer's legally authorized agent affirms that the all statements within the proposal are true and correct. Proposers must indicate, in writing, any General Provisions, terms, or conditions that are not feasible with the submission of the proposal to this RFP. Discovery of any false statement in the proposal is a material breach and shall void the submitted proposal or any resulting contracts and Proposer shall also be removed from all vendor lists maintained by the state of Texas.

#### 2.1.1 Receipt of Proposals

To be eligible to be considered for funding, **proposals must be received in the TEA's Purchasing & Contracts Division (PCD) on or before 3:00 p.m. (Central Time) on the closing date as specified in the Request for Proposal.** In establishing the time and date of receipt, the Commissioner of Education will rely solely on the time/date stamp of the Purchasing & Contracts Division.

Regardless of the method of submitting the proposal—United States Postal Service (USPS), United Parcel Service, Federal Express or any other delivery service—the **proposal must be received in the agency's Purchasing & Contracts Division by 3:00 PM (Central Time) on or before the closing date in order to be considered.**

**Note:** TEA WILL NOT accept a USPS postmark and/or round validation stamp, mail receipt with the date of mailing stamped by the USPS, a dated shipping label, invoice or receipt from a commercial carrier, or any other documentation as proof of receipt of any proposal. Proposers are advised that TEA assumes no responsibility, due to any circumstances, for the receipt of a proposal after the deadline time and date established in this RFP.

### 2.1.2 Purchasing & Contracts

TEA's Purchasing & Contracts is open Monday through Friday, 8:00 a.m. to 5:00 p.m., excluding holidays. **Proposals will not be considered if received in Purchasing & Contracts after 3:00 p.m. (Central Time) on the closing date.** PURCHASING & CONTRACTS is located on the 2nd floor of the William B. Travis Bldg, 1701 N. Congress (at 17<sup>th</sup> St. and N. Congress, two blocks north of the capitol) in Rm. 2-135, Austin, TX 78701-1494. The mailing address is:

**Purchasing & Contracts, Rm. 2-135  
Texas Education Agency  
William B. Travis Bldg.  
1701 N. Congress Ave.  
Austin, TX 78701-1494**

### 2.1.3 Number of Copies of Proposal

Fifteen (15) printed copies of the proposal are required to be submitted. In addition, forty-five (45) electronic CDs should be submitted containing both a PDF and a MS Word version of the entire proposal (including all attachments). Package the proposal responses and the CDs in separate containers. Do not place CDs inside individual proposal responses.

The required number of copies of the proposal **must be received in the TEA Purchasing & Contracts by 3:00 p.m. on the established deadline date.**

Failure to meet this condition can disqualify the proposal.

Photocopying is not available at TEA.

Additions or replacements to the proposal will not be accepted after the closing date for receiving the proposal in the Purchasing & Contracts of the Texas Education Agency.

## 2.2 EXPECTED SEQUENCE OF EVENTS/CRITICAL DATES

DATE	EVENT
Monday, July 28, 2008	Publication of Request for Proposals in <i>Electronic State Business Daily</i>
Monday, August 4, 2008 through Friday, August 8, 2008	Proposer's Question and Answer Forum with questions e-mailed to <a href="mailto:psfrfp@tea.state.tx.us">psfrfp@tea.state.tx.us</a> and questions and answers posted to the Electronic state Business Daily at <a href="http://esbd.cpa.state.tx.us">http://esbd.cpa.state.tx.us</a>
Thursday, August 28, 2008	Proposal is due in the Purchasing & Contracts 3:00 p.m., Central Time
Wednesday, November 19, 2008	Oral presentations of selected finalists.
Friday, November 21, 2008	Selection of Proposer and commencement of negotiations after Approval by State Board of Education
January 1, 2009	Beginning date of contract and commencement of work immediately after contract is signed
August 31, 2011	Ending date of initial contract term with option to renew

*It should be noted that all of these dates may vary as conditions require, except the ending date of initial contract term.*

## 2.3 PROPOSER'S QUESTION AND ANSWER FORUM

- ✓ Beginning: Monday, August 4, 2008
- ✓ Ending: Friday, August 8, 2008
- ✓ Questions: [PSFRFP@tea.state.tx.us](mailto:PSFRFP@tea.state.tx.us)
- ✓ Answers: <http://esbd.cpa.state.tx.us>

Proposers will be provided a forum to ask questions and receive clarifying information about the scope, discrepancies, omissions, or doubts as to the meaning of the specifications of the RFP. All questions must include representative's name, name of the firm represented, address, telephone number, fax number, and e-mail address. The questions and posted responses will be de-identified. Beginning Monday, August 4, 2008 and ending Friday, August 8, 2008 5:00 p.m. CST, proposers may email questions to [psfrfp@tea.state.tx.us](mailto:psfrfp@tea.state.tx.us). Answers will be updated and posted regularly at the Electronic State Business Daily at <http://esbd.cpa.state.tx.us>.

Any clarifications or interpretations of this RFP that materially affect or change its requirements will be issued as an Addendum by TEA. It is the responsibility of all respondents to obtain this information in a timely manner. No oral explanation in regard to the meaning of the RFP will be made and no oral instructions will be given before the award of the contract.

To search the Electronic State Business Daily, Select "Texas Education Agency - 701" from the drop down Name box, order the results by "Agency" and hit "go". From the list of proposals currently posted for TEA, select this proposal and links to all electronic documents will be available at the bottom of the posting, listed as "packages".

TEA may, at its discretion, post additional information as an Addendum if TEA determines any matter to require clarification. Proposers shall consider only those clarifications or interpretations to the RFP specifications that TEA issues by addenda five (5) calendar days prior to the submittal deadline. Interpretations or clarifications in any other form will not be binding on TEA and should not be relied on in preparing proposals.

## 2.4 STANDARD PROPOSAL REQUIREMENTS

Proposals that address only part of the requirements contained in this Request for Proposal can be considered non-responsive.

TEA reserves the right to reject any and all proposals and to negotiate portions thereof.

TEA makes no representations, written or oral, that it will enter into any form of agreement with any respondent to this RFP and no such representation is intended or should be construed by the issuance of this RFP.

The fee proposal submitted by the proposer is subject to negotiation by the TEA.

TEA reserves the right to select the proposal containing the best offer considering the outcomes desired. The proposer shall furnish such additional information that the Agency may reasonably require.

## 2.5 STATE NOT RESPONSIBLE FOR PREPARATION COSTS

The TEA will not be liable for any costs incurred in the preparation and submittal of a proposal.

## 2.6 DISCLOSURE OF PROPOSAL CONTENT

After contract award, proposals are subject to release under the Texas Government Code, Chapter 552, Public Information Act.

Proposers **must**:

- ✓ indicate on their proposal cover if their submission contains proprietary, confidential, or copyright material i.e., something that is considered a trade secret, or is protected by patent or copyright laws.
- ✓ identify each document, page, and answer within the proposal if proprietary, confidential, or copyright material; and accordingly,
- ✓ **clearly mark** each document, page, and answer.

A link to the Government Code citation is included in **EXHIBIT A**. As such, if an open records request related to the RFP process is received by the TEA to disclose documents, the TEA would have to follow the procedures of TGC Chapter 552. Exceptions to disclosure do exist and it is possible that “proprietary” or “confidential” can be defended under the requirements of TGC Section 552.110 Exception: Trade Secrets; Certain Commercial or Financial Information. If there appears to be an exception to disclosure, the matter would be presented to the Texas Attorney General to issue a decision and render an opinion about the proprietary or confidential nature of the material. The burden of proof concerning confidentiality rests with the author of the material and the TPSF would not be required to argue on another’s behalf. All opinions from the Texas Attorney General are binding.

## 2.7 INDEPENDENT AUDITING STANDARDS AND CONFLICT OF INTERESTS

If an entity or its subsidiary has or is currently contracted with TEA to perform professional services or consulting (non-audit) services, then they cannot be awarded a contract to provide financial audit, attestation, or performance audit services for two years from finishing an engagement.

An entity or its subsidiary that performed financial audit, attestation, or performance audit services for TEA, may not receive a contract award to perform professional services or consulting (non-audit) services for two years.

## SECTION THREE: PROPOSAL FORMAT AND CONTENT

### 3.1 PROPOSAL FORMAT AND CONTENT

Proposers **must** submit fifteen (15) printed copies of the proposal. In addition, proposers should submit forty-five (45) electronic CDs containing both a PDF and a MS Word version of the entire proposal (including all documents, attachments and appendices). Please package the proposal responses and the CDs in separate containers. Do not place CDs inside individual proposal responses. Proposals **must** be submitted in a manner which does not carry any benefit, keepsake, or value for members of the review panel.

Proposal format and content should include the following:

- ✓ Proposal Cover Page, **DOCUMENT A**,
  - ✓ if contains proprietary
- ✓ A signed Proposal Content Checklist, **DOCUMENT B**
- ✓ Proposal Content: **DOCUMENT C through DOCUMENT J**,
- ✓ Data submission to the eVestment Alliance database
- ✓ Proprietary and/or confidential, clearly marked
- ✓ Tabs between documents,
- ✓ Sequentially numbered pages from front to back. (1, 2, 3, etc.)

- ✓ Written on 8 ½" x 11" paper
- ✓ Bound in three ring binders

### 3.1.1 **Proposal Cover Page**

Proposals should include a Proposal Cover Page, which checks the method of proposed service delivery offered, checks if the proposal contains proprietary material, and clearly states the name of the firm or organization and the name, position, and telephone number of the proposer's Administrator who may be contacted regarding the proposal, **DOCUMENT A**.

### 3.1.2 **Proposal Content Checklist**

Proposals should include a Proposal Content Checklist, **DOCUMENT B**. This checklist is to assist proposers in ensuring that all information is included in their response. Proposers **must** refer to the appropriate section of the RFP for detailed information. Failure to return all information on the checklist can disqualify the proposal.

## 3.2 **PROPOSER'S FINANCIAL RESPONSIBILITY**

All proposers **must** submit along with the proposal, indicators of financial stability. Proposers should submit their most recent audited financial statement or a certified public accountant-compiled financial report. Levels of financial disclosure and financial responsibility are factors in the evaluation process. The TPSF will determine whether the documents submitted are sufficient.

Proposers shall provide any details of all past or pending litigation or claims filed against the firm that may affect performance under a contract with TEA.

Proposal shall identify if the proposer is currently in default on any loan agreement or financing agreement with any bank, financial institution or other entity. If so, specify date(s), details, circumstances, and prospects for resolution.

Proposers shall complete **DOCUMENT D** describing the financial information provided for evaluation and review.

Failure to meet these conditions can disqualify the proposal.

## 3.3 **UNDERSTANDING OF THE SCOPE OF WORK**

The proposer **must** describe clearly, specifically, and as completely as possible, the methodology for carrying out the scope of work objectives and requirements as described in this RFP. Proposers should complete:

- ✓ Investment Manager Profile: **DOCUMENT E**, and;
- ✓ Investment Manager Questionnaire: **DOCUMENT F**
- ✓ Submission to the eVestment Alliance database no later than the proposal submission deadline.

Answer all questions as thoroughly as possible to address the requirements of [Section 1.5 Scope of Work](#). When completing the Questionnaire (**DOCUMENT F**), proposers must provide satisfactory evidence of capability to manage and coordinate the types of activities described in the RFP and to produce the specified product or service on time.

## 3.4 **CONFLICTS OF INTEREST**

The proposal **must** describe any potential conflicts of interest that might arise in the course of providing the services required in this RFP. Potential conflicts of interest that might occur include but are not limited to the following: payment of fees for any reason to consultants that may recommend managing various asset allocation mandates, owning or participating in the ownership of money management firms or brokerage firms, or paying fees to or receiving fees from TPSF Service Providers.

In addition, a multi-page Conflicts of Interest and Contacts Questionnaire should be completed in its entirety for the proposing firm as a whole, **DOCUMENT G-1**, and an additional set of the document

shall be completed by each lead investment professional, **DOCUMENT G-2**, and each key professional employee, **DOCUMENT G-3**, etc. assigned to the TPSF account and any other person the proposer determines is appropriate. Please copy the multi-page **DOCUMENT G-2**, and/or **DOCUMENT G-3**, and create a set of the documents for each individual.

A **complete DOCUMENT G** questionnaire for each firm and each individual includes:

- ✓ **Page 1** Conflict of Interest and Contact : with SBOE Members and Committee of Investment Advisors
- ✓ **Page 2** Conflict of Interest and Contact : with Investment Counsel, Advisors, and Service Providers
- ✓ **Page 3** Conflict of Interest and Contact : with TPSF Senior Staff and TEA Legal Staff
- ✓ **Page 4** Conflict of Interest and Contact: to describe the disclosed relationships the individual has with those persons/firms listed in the tables on Pages 1-3.
- ✓ **Page 5** Record of All Contact with the SBOE, TEA Staff and PSF Consultants. Especially where business relationships exist, the individual should briefly describe the nature of the relationship, identify what contact has been made, identify **each occurrence**, indicate **the date** of the occurrence, and clearly describe the content of discussions.
- ✓ **Page 6** Disclosure of All Campaign Contributions and Gifts per Section 4.3 of the State Board of Education Operating Rules.
- ✓ **Page 7** Signature Attestation

### 3.5 FEE PROPOSAL

Proposer **must** submit a fee proposal (**DOCUMENT H**). Fee proposals **must** reflect services offered and meet requirements stated throughout this RFP. TEA reserves the right to award contracts to more than one firm providing investment management services in order to obtain service that is in the best interest of the TPSF.

Fees must be justified in terms of activities and anticipated expenditures must be reasonable (i.e., consistent with current market price and practice) and necessary to accomplish the objectives stated herein. The fee proposal must evidence that financial resources are adequately and appropriately allocated among fee categories in a cost-effective and prudent business manner to accomplish the objectives stated herein. Services to be purchased from other agencies, subcontractors, including any amounts subcontracted to HUBs, consultants, and others must be specified.

Payment will be made upon satisfactory performance of services, receipt by the TEA of specified deliverables, and receipt of properly prepared and certified invoices/expenditure reports. **Travel expense will not be reimbursed in this contract.**

Failure to meet these conditions can disqualify the proposal.

### 3.6 PROPOSER IDENTIFICATION

Proposer shall provide to agency, respondent's 9-digit Federal Employer's Identification Number (FEI); Social Security Number (SSN) if respondent is an individual; or respondent's 14-digit State of Texas Vendor's Identification Number (VIN). If incorporated, respondent shall also provide to agency the corporation's charter number issued by the Texas Secretary of State's office. Proposer shall complete Section 3.B of **DOCUMENT J** with this information.

### 3.7 HISTORICALLY UNDERUTILIZED BUSINESS (HUB) IDENTIFICATION

Historically underutilized businesses (HUBs) as defined in V.T.C.A., TX Govt. Code, §2161.001 (see **EXHIBIT C**) are encouraged to submit a proposal for the services requested in this RFP. Proposers are encouraged to become HUB certified.

Proposers that are not certified and who wish to become certified should complete the HUB Certification application available at <http://www.window.state.tx.us/procurement/prog/hub/hub-certification/>. The Statewide HUB Program at (512) 463-5872 can assist with questions regarding the requirements for certification. The proposer should also relay this information to any potential subcontractors who wish to become a certified HUB.

Proposers that are certified as a HUB with the Texas Comptroller of Public Accounts' Texas Procurement and Support Services should attach a copy of the certificate to the proposal.

The proposer must identify if subcontracting opportunities are available. The proposer may choose to subcontract any or all of the services to HUBs. If subcontracting, the proposer should submit the HUB Subcontracting Plan, **DOCUMENT I**, and complete all sections (1-10).

If the proposer can perform and intends to complete all the subcontracting opportunities identified by the TEA with its employees and resources **without benefit of subcontractors**, the proposer should complete Sections 1,2, 9 and 10 of the HUB Subcontracting Plan, **DOCUMENT I**.

Failure to return the HUB Subcontracting Plan **DOCUMENT I** can disqualify the proposal.

### **3.8 EVALUATION CRITERIA**

TEA will evaluate proposals according to the selection criteria specified in Section 4.2 of this Request for Proposal.

## SECTION FOUR: REVIEW OF PROPOSALS

### 4.1 REVIEW OF PROPOSALS

Review of proposals will begin as soon as practical after receipt. Evaluation of proposals occurs in several stages. The first stage includes a compliance evaluation to ascertain proper form and content in accordance with all provisions stated within this RFP. Proposals that pass the compliance evaluation will then be evaluated for minimum qualifications. Proposals that pass the minimum qualification screening will then be evaluated according to the criteria listed in Section 4.2 below. The proposers receiving the most favorable ratings during the first round of selection may be asked to send a representative to Austin, Texas, at a time and place to be arranged for oral presentation of proposals. Proposals may be rated again following oral presentations. The evaluation team may consist of TEA staff knowledgeable in the content area.

The recommendations of the review panel will be assembled and presented to the SBOE who will:

1. Approve the proposal in whole or in part;
2. Disapprove the proposal; or
3. Defer action on the proposal for such reasons as a requirement for further evaluation.

TEA will notify each proposer in writing of the selection or non-selection for funding. Additional copies of proposals **not selected for funding** will be destroyed in accordance with the agency approved records retention policy.

In the case of a proposal selected for funding, notification to the proposer will include the contractual conditions, which the proposer must accept in accordance with federal and/or state law.

### 4.2 SELECTION CRITERIA

Proposals will be selected based on the ability of each proposer to carry out all of the requirements contained in this Request for Proposal. TPSF will base its selection on, among other things, demonstrated competence, and qualifications of the proposer and on the reasonableness of the proposed fees. Following is a summary of the factors that will be evaluated in selecting a proposer, and the total number of points that will be applied in association with each:

FACTORS	POSSIBLE % POINTS
Business and Organizational Strength	20
Investment Management Experience	30
Client Service	10
Conflicts and Business Conduct	25
Fee Proposal	10
Other Factors	5
<b>TOTAL</b>	<b>100</b>

By submitting proposals in response to this RFP, the proposer accepts the evaluation process and acknowledges and accepts that determination of the "best value" proposer will require subjective judgment.

TEA reserves the right to consider any proposal non-responsive if the proposal cost is determined to be unreasonable or irresponsible in relation to the other submitted proposals and/or TEA estimate of the cost.

## **SECTION FIVE: CONTRACTUAL REQUIREMENTS**

### **5.1 CONTRACTOR'S PROPOSAL**

The selected proposal may be incorporated into a contract prepared by the TEA for signature by the contracting parties. The resulting contract shall contain, among others, the following provisions:

All materials, conceptions and products produced or conceived by Contractor, its employees, agents, consultants or subcontractors arising out of the contract shall be the sole property of TEA, and TEA shall have the exclusive right to copyright and patent these materials, conceptions and products, subject to applicable law. Contractor shall so bind all concerned.

### **5.2 EXECUTION OF OFFER, AFFIRMATION OF TERMS AND CONDITIONS AND PROPOSAL PREFERENCES**

Proposer shall review **DOCUMENT J** carefully, noting that the TEA General Provisions described therein consist of the conditions under which TEA will conduct its business with any proposer selected as a qualified investment management firm. When contracting with a qualified investment management firm, TEA will incorporate these General Provisions into the body of the contract and they will become binding. Proposers wishing to do business with the TEA shall acknowledge their acceptance of these terms and conditions by signing **DOCUMENT J** and returning it as part of the proposal response.

Proposers must indicate in writing any General Provision term that is not feasible with the submission of the proposal to this RFP. Proposers must identify the individual terms and explain why the terms are not feasible. An addendum can be attached to the submission of the executed **DOCUMENT J** in order to communicate contracting concerns. If a proposal is signed and submitted without specifically identifying all General Provisions that are not feasible, TEA will not negotiate the General Provisions.

Failure to formalize the terms of the proposal by signing the "Execution of Offer," can disqualify the proposal.

### **5.3 PAYMENT**

All payments are made in accordance with Texas Government Code [§ 2251.001](#) et seq. Payments for Goods and Services. Payment is contingent upon the submission of properly prepared and detailed invoice/expenditure reports, each payment cycle. For certain investment management services, it is anticipated that fees for services/operating expenditures will be deducted from fund assets in lieu of being paid by state warrant.

TEA reserves the right to review and approve fees and expenditures at various levels before fund assets are released.

According to guidelines set forth by the Texas Comptroller of Public Accounts, the payment scheduling policy requires agencies to pay as close to the due date as possible in order to maximize fiscal benefits to the state. Payments are due in 30 days.

### **5.4 CONTRACTING WITH PERSONS WHO HAVE CERTAIN DEBTS OR DELINQUENCIES**

A 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. This provision does not apply if the warrant or transfer results in payments being made in whole or in part with money paid to the state by the Federal Government.

Contractor may verify account status by accessing: <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.

**EXHIBIT A**  
**REGULATION AND ADMINISTRATION – AND OTHER**

For ease of reference, select laws, statutes, policies and reports pertaining to the Texas Education Agency Texas Permanent School Fund can be found at the following links:

1. Article VII of The Texas Constitution

<http://tlo2.tlc.state.tx.us/txconst/sections/cn000700-000500.html>

2. Chapter 33 of the Texas Administrative Code: Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac\\_view=4&ti=19&pt=2&ch=33&rl=Y](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=4&ti=19&pt=2&ch=33&rl=Y)

3. Chapter 43 of the Texas Education Code: Permanent School Fund and Available School Fund

<http://tlo2.tlc.state.tx.us/statutes/docs/ED/content/word/ed.002.00.000043.00.doc>

4. Chapter 2155 of the Texas Government Code: Purchasing: General Rules and Procedures, including:

Section 2155.004 Certain Bids and Contracts Prohibited

<http://tlo2.tlc.state.tx.us/statutes/docs/GV/content/word/gv.010.00.002155.00.doc>

5. Chapter 552 of the Texas Government Code: Public Information Act, including:

Section 552.0225 Right of Access to Investment Information,

Section 552.0230 Special Right of Access to Confidential Information,

Section 552.1100 Exception Trade Secrets; Certain Commercial or Financial Information

Section 552.1430 Confidentiality of Certain Investment Information

<http://tlo2.tlc.state.tx.us/statutes/docs/GV/content/htm/gv.005.00.000552.00.htm>

6. Section 4.3 of the State Board of Education Operating Rules, amended February 7, 2007, Disclosure of Campaign Contributions and Gifts.

[http://www.tea.state.tx.us/sboe/op\\_rules.html](http://www.tea.state.tx.us/sboe/op_rules.html)

7. Audited Annual Financial Statements of the TPSF

<http://www.tea.state.tx.us/psf/annualgateway.html>

8. Additional Information about TEA and TPSF

TEA : <http://www.tea.state.tx.us>

TPSF: <http://www.tea.state.tx.us/psf/>

**EXHIBIT B**  
**TEXAS PERMANENT SCHOOL FUND**  
**INVESTMENT PROCEDURES MANUAL**

The State Board of Education (SBOE) has adopted the Statement of Investment Objectives, Policies and Guidelines, which sets forth the prudent objective standards for the investment and administration of the Texas Permanent School Fund (Fund). The Statement addresses the needs of the Fund; establishes criteria for manager performance measurement; communicates the Statement to all parties; serves as a review document for compliance; demonstrates that the Board is in compliance with its responsibility of managing the investments of the Fund and documents compliance with the appropriate governing laws.

To effectuate the Statement of Investment Objectives, Policies and Guidelines, the State Board of Education adopts the following procedures, consistent with the objectives of the Fund. These procedures delineate with specificity the operative provisions, processes and procedures for the implementation of the Statement, consistent further with input from all of the appropriate parties, as follows:

**A. COMMITTEES OF THE STATE BOARD OF EDUCATION:**

1. The State Board of Education has established the Committee on The Permanent School Fund (Committee) to assist in the administration and oversight of the Fund. The following are the duties and responsibilities of the Committee:
  - a. The Committee is comprised of members of the State Board of Education selected under the rules of the Board;
  - b. The Committee shall make recommendations to the State Board of Education concerning the ratification of all investment manager transactions for the current reporting period, if the transactions are consistent with the Statement of Investment Objectives, Policies and Guidelines; the Procedures Manual; and all other applicable constitutional, statutory and contractual provisions;
  - c. The Committee may approve periodic tactical recommendations pertaining to adjustments to the long-term asset allocation strategic plan of the State Board of Education;
  - d. The Committee shall direct the activities of the executive administrator in implementing the policies of the State Board of Education concerning the investment of the Permanent School Fund;
  - e. The Committee shall implement the policies of the State Board of Education concerning the investment of the Permanent School Fund;
  - f. The Committee shall direct and monitor each Board approved action and counsel with and receive reports from the executive administrator, the Committee of Investment Advisors (CIA), Investment Counsel, and any investment manager hired under the provisions set forth;
  - g. The Committee shall ensure compliance with the State Board of Education's statement of investment policy and non-compliance shall be reported to the State Board of Education; and
  - h. The Committee shall recommend to the State Board of Education, new procedures or recommend amendments to existing procedures consistent with the provisions of the Statement of Investment Objectives, Policies and Guidelines.

**2. Committee of Investment Advisors (CIA) - Duties and Responsibilities**

- a. Members of the State Board of Education shall individually select the Committee of Investment Advisors (CIA) members. The SBOE shall approve selected appointments. The Committee of Investment Advisors shall be comprised of no more than 15 members. Each must have considerable institutional investment expertise and be free from conflicts of interest;
- b. Committee of Investment Advisors shall serve at the pleasure of each incumbent State Board of Education member;
- c. The Advisors may meet semi-annually or more frequently with the entire SBOE membership at the call of the chairman of the SBOE; and
- d. Advisors are to receive copies of all information that is not designated as confidential or proprietary and correspondence provided to SBOE members regarding PSF activities, performance and presentation materials so as to be fully informed.
- e. The Committee of Investment Advisors shall be independent investment experts who closely advise their respective State Board of Education member on investment issues.

**B. CRITERIA FOR THE ENGAGEMENT, RETENTION OR TERMINATION OF INVESTMENT COUNSEL:**

- 1. Investment counsel may be recommended by the Committee on the Permanent School Fund and retained by the State Board of Education, provided counsel meets the following minimum criteria by having or having access to:
  - a. organizational processes that will provide for combining the knowledge and judgments in different areas of institutional investment expertise in order that the advice and recommendations made to the Permanent School Fund will have evolved from the opinions of many rather than one individual; and
  - b. the capability of complying with additional criteria as may be established by the State Board of Education.
- 2. If at any time Investment Counsel fails to comply with any of the above-provisions, or fails to perform pursuant to the provisions of the Investment Counsel contract, the Committee on the Permanent School Fund shall notify the State Board of Education of said failure. The Board shall take appropriate measures to correct any deficiencies.

**C. INTERNAL ACCOUNTING PROCEDURES AND CASH MANAGEMENT CONTROLS:**

The following procedures and controls shall be adopted and implemented by the investment staff of the Permanent School Fund:

- 1. All investments of the Permanent School Fund shall be accounted for in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) unless otherwise prescribed by state law;
- 2. Income, gains and losses from investments shall be collected, accounted for, and allocated to the proper fund in the proper period;

3. Proper controls shall be maintained as well as a segregation of duties between the portfolio managers/traders and the accounting staff;
4. All investment transactions shall be properly authorized and in accordance with the portfolio manager's/trader's established investment limits;
5. All investment transactions shall be supported by a trade ticket prepared by the portfolio manager(s)/trader(s). The trade ticket may be in paper or electronic form and must be authorized by the portfolio manager(s)/trader(s);
6. All trades shall be verified by the accounting staff and affirmed by the Fund's custodian prior to settlement;
7. The investment office shall have no direct control over or access to physical cash currency;
8. The following monthly reconciliations are completed and reviewed:
  - a. between the investment accounting system and the records of the Master Trust Custodian;
  - b. between the investment general ledger system (statewide and agency) and the investment accounting system;
9. Controls must be established to meet the liquidity needs of the Fund;
10. Outstanding purchase commitments shall be properly recorded including any accrued interest paid on purchases;
11. All requests to the Custodian to transfer funds in order to purchase securities or invest in short-term instruments shall be properly authorized by the Permanent School Fund staff and properly recorded in the records of the State Comptroller's office;
12. Investment reports shall be prepared in accordance with legal and regulatory requirements and to meet the information requirements of the SBOE; and
13. It shall be the policy of the SBOE to perform the delivery and settlement of cash and securities through the Fund's custodial bank. The Fund custodian will collect all monies due the Fund and deliver all monies due from the Fund.

The Fund custodian will make all Fund monies available for investment. In the event funds are not invested as a result of specific security transactions ordered by internal Permanent School Fund staff or external investment managers, the custodian will invest such proceeds on a short term basis pending further instructions. In the event monies are not invested within one business day by the custodian or as a result of instructions from authorized investment managers, such proceeds shall be remitted to the State Treasury. The custodian, upon instructions from the Fund, shall remit all incomes due the Permanent School Fund to the Texas State Comptroller Treasury Division no less than weekly.

The Fund custodian shall maintain currency accounts for all currencies traded in the Fund's international investment portfolios. The Fund custodian shall execute cash movements across these accounts at the direction of investment managers, including transmission of monies for foreign exchange transactions, upon authorized instruction from investment managers. In order to facilitate the settlement of trades denominated in foreign currency, the custodian may hold foreign currencies overnight as authorized by the investment managers.

**D. STRATEGIC ASSET ALLOCATION PLAN**

To pursue the objectives of the Texas Permanent School Fund at an acceptable risk level, the following strategic (i.e., long-term) allocation is adopted:

<b>Asset Class</b>	<b>Strategic Asset Allocation</b>	<b>Minimum Range</b>	<b>Maximum Range</b>
<b>Equity:</b>			
Large Cap US Equity	24%	21%	27%
Small/Mid Cap US Equity	7%	6%	8%
Large Cap Developed and Emerging Market Equity	18%	15%	21%
Small/Mid Cap International Equity	4%	3%	5%
Total Equity	53%		
<b>Fixed Income:</b>			
Domestic Inv. Grade Fixed Income	19%	17%	21%
<b>Cash Equivalents:</b>	0%	0%	5%
<b>Alternative Assets:</b>			
Real Estate	6%	0%	8%
Real Return	6%	5%	7%
Absolute Return	10%	9%	11%
Private Equity	6%	3%	8%
Total Alternative Assets	28%		

Provided, however, that the Committee (SBOE) shall have the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment and the goals and objectives of the Fund. It is understood that the strategic allocation to alternative assets may differ from the target ranges outlined for limited periods of time, due to the illiquid nature of these asset classes. Further, during the initial implementation of alternative asset classes, the allocation will fall below the minimum range until the program can be fully established.

Formal asset allocation studies shall be conducted by the Asset Allocation Consultant at least every two years, with annual evaluations of the validity of the adopted asset allocation.

**E. ASSET ALLOCATION REBALANCING PROCEDURE:**

The SBOE has established specific asset allocation targets within the ranges of its investment policy. To assure allocations consistent with this policy, the Committee on the Permanent School Fund and the Executive Administrator has developed a systematic rebalancing policy, as follows:

Target rebalancing ranges will be established for each asset class and category based upon market volatility, liquidity and inherent transaction costs. The ranges are not necessarily symmetrical and reflect a practical approach to rebalancing – thus, whole numbers are employed to establish target limits.

**1. Asset Class Rebalancing**

The following policies will be followed regarding asset weightings:

- a. Valuation and monitoring of asset classes in relation to their targets will be done as available from the custodian and investment managers;

- b. When all asset classes are within target ranges, any cash will be allocated between equity and fixed income portfolios as appropriate to take advantage of capital market opportunities;
- c. Whenever the asset classes of the Fund deviate from their target ranges, the Executive Administrator will rebalance the asset mix as follows:
  - (1) Utilize available cash first to bring asset classes to within target ranges;
  - (2) If available cash is insufficient, transfers between asset classes will be made to bring them to their target levels.
- d. Whenever the asset classes of the Fund lie within their target ranges, the Executive Administrator may perform a partial or full rebalance to move the Fund toward the optimal target allocation to take advantage of market conditions that could be beneficial to the long-term performance of the Fund.
- e. Cash-flows to and from illiquid portfolios will not be made, unless they are part of a predetermined plan.
- f. The SBOE may vote to delay automatic asset class rebalancing if major changes in the strategic asset allocation plan are expected in the near term.
- g. Distributions paid to the Available School Fund (ASF) shall be distributed from asset classes that exceed the target allocations and bring the PSF back in line with the target allocation.
- h. The Executive Administrator, in consultation with the Asset Allocation Consultant, should maintain the asset allocation targets and rebalance between asset classes when it is determined that imbalances have occurred within asset classes in excess of the Strategic Asset Allocation plan's ranges (Section D).
- i. Upon notice from the Commissioner of Education in regards to a guaranteed school district bond default, the Executive Administrator shall cause to be deposited in State Treasury Fund 0044 account sufficient cash to cover the default by funding the default from any asset class that exceeds its target and is highly liquid. If each asset class is at target, then assets will be sold in line with target weights. The funds will then be transferred to the paying agent in accordance with Texas Education Code Chapter 45.059.

In accordance with Texas Education Code Chapter 45.061, the Commissioner will immediately direct the Comptroller to withhold the amount paid, plus interest, from the first state money payable to the school district. The amount withheld shall be deposited to Fund 0044 in the State Treasury. The Executive Administrator shall return the funds to the asset classes from which they were taken or to asset classes that are underweighted at the time of receipt of the reimbursement.

## **2. Transition Procedure**

Investment manager changes and additions will occur due to the natural growth of the fund and to the attrition of managers due to performance or other reasons, as well as for rebalancing purposes. The Executive Administrator shall obtain an authorization from the SBOE to effect the transition of assets from one portfolio to another using the services of an outside, independent specialist that has experience in the management of portfolio transitions. The function of the specialist is to recommend the lowest cost and most

efficient method for transitioning the assets and to monitor and report on the effectiveness of transitions.

**F. STANDARDS OF PERFORMANCE**

**1. Total Funds**

The Total Fund shall consist of a diversified portfolio including domestic and international equities, fixed income, and alternative asset classes.

The State Board of Education expects active managers to collectively out-perform their respective (and agreed upon) individual unmanaged benchmarks net of fees. Therefore, total performance of the Texas Permanent School Fund will be measured against a composite benchmark reflective of the Fund's targeted allocation between equities, fixed income, and alternative assets. During periods of transition, where assets deviate significantly from the long-term target allocation, the composite benchmark shall be dynamic, calculated monthly using the beginning of period capitalization weight of each investment portfolio and the return of their respective primary index. A transition period shall be defined as the period beginning on the first day of the month after the contract has been signed with the investment manager and the initial funding of asset class takes place. Once funding begins, the composite benchmark shall revert back to the standard static calculation on the first day of the month following funding. The static calculation shall be calculated based on the percentage allocated to each asset class.

In order to meet the investment objectives as specified in the SBOE's statement of Investment Objectives, Policies and Guidelines, the Total Fund will strive to maintain intergenerational equity whereby the fund will pay-out a constant distribution per student after adjusting for inflation.

The asset allocation adopted July 2006 reflects the following asset classes, benchmarks and target allocations of the Fund, utilized when calculating the composite benchmark:

<b>Asset Class Category</b>	<b>Passive Benchmark<sup>1</sup></b>	<b>Long-Term Target Allocation</b>
<b>Equities</b>		
Large Cap US Equity (Core)	S&P 500	24%
Small/Mid Cap US Equity (Core)	S&P 1000	7%
Large Cap Developed and Emerging Market Equity	MSCI All Country World Index ex US	18%
Small/Mid Cap International Equity	MSCI EAFE Small Cap	4%
<b>Fixed Income</b>		
Investment Grade	Lehman Brothers Aggregate	19%
Cash & Equivalents	91 Day Treasury Bill	0%
<b>Alternative Assets</b>		
Real Estate	NCREIF Property	6%
Real Return	CPI + 5%	6%
Absolute Return	CPI + Premium <sup>2</sup>	10%
Private Equity	Actual Investment Return or S&P 500 + 5% <sup>3</sup>	6%

- <sup>1</sup> The above benchmarks are representative of sample indices, subject to being redefined upon investment manager funding of their own unique portfolio.
- <sup>2</sup> The return premium expected should range from 5-10%, corresponding with the strategy objectives of each individual investment/manager.
- <sup>3</sup> Over a full market cycle, private equity investments should still be measured against the long-term benchmark of S&P 500 + 5%. However, over shorter periods of time, including the actual return for the investment in the benchmark accomplishes the dual goal of accurately portraying total fund performance for the Fund, while eliminating the short-term benchmark noise that is introduced by the mismatch between long-term objectives and short-term market movements.

## **2. Equity Allocation**

The equity allocation shall consist of diversified domestic and international stocks. The purpose of the equity allocation is to provide appreciation of principal that more than offsets inflation and provides a growing stream of current income.

The equity allocation, upon full implementation, should represent approximately 53% of the Fund at market value.

The allocation to domestic and international equities will be across capitalization ranges. The equity managers will be subject to the following general and specific investment guidelines:

### **a. Domestic Equity Manager(s):**

The strategic objective of the Fund is to obtain broad domestic equity market exposure-

- (1) An indexed large cap core equity manager is expected to:
  - (a) achieve an annualized time-weighted rate of total return (net of expenses and fees) equal to the return of the benchmark represented by the S&P 500 Index;
  - (b) maintain an acceptable risk level when measured by the standard deviation of quarterly returns of the representative benchmark (S&P 500).
- (2) An indexed small/mid cap core equity manager is expected to:
  - (a) achieve an annualized time-weighted rate of total return (net of expenses and fees) equal to the return of the benchmark represented by the S&P 1000 Index;
  - (b) maintain an acceptable risk level when measured by the standard deviation of quarterly returns of the representative benchmark (S&P 1000).

### **b. International Equity Manager(s):**

The strategic objective of the Fund is to obtain a broad international equity market exposure.

- (1) An indexed large cap developed and emerging market equity manager is expected to:

- (a) achieve an annualized time-weighted rate of total return (net of fees and expenses) equal to the return of the benchmark represented by the MSCI All Country World Index Ex USA.
- (b) maintain an acceptable risk level when measured by standard deviation of quarterly returns of the representative benchmark MSCI All Country World Index Ex USA.

### **3. Fixed Income Allocation**

The total fixed income allocation shall consist of a well-diversified portfolio and normally represent 19% of the Fund at market value.

The fixed income portfolio will be managed under a broad market mandate. Each account shall be managed in an active manner to achieve the total return objective as established and to preserve principal while maintaining an acceptable income yield.

In addition to the prohibited transactions and restrictions delineated in Section 33.25 of the Statement of Investment Objectives, Policies and Guidelines, the fixed income portfolio of any manager of the Fund must maintain a minimum quality rating, duration average and minimum income yield consistent with the overall characteristics of the manager's fixed income benchmark.

The fixed income manager(s) will be subject to the following general and specific investment guidelines:

#### **a. Domestic High Grade Fixed Income Manager(s):**

A domestic fixed income manager is expected to achieve over the course of a fair market cycle of three to five years the following:

- (1) achieve an annualized time-weighted rate of return (net of fees and expenses) in excess of the return of the benchmark represented by the Lehman Brothers Aggregate Index;
- (2) rank in the top half of a universe of peers of actively managed domestic fixed income portfolios with similar objectives and risk profiles; and
- (3) maintain an acceptable risk level when measured by the standard deviation of quarterly returns of the representative benchmark (Lehman Brothers Aggregate Index).

#### **b. Cash Equivalent Manager(s):**

A Short Term Investment Fund (STIF) manager is expected to:

- (1) achieve an annualized time-weighted rate of total return (net of fees and expenses) in excess of the return of a benchmark represented by the 91 Day Treasury Bill;
- (2) rank in the top half of a universe of peers of actively managed short-term fixed income portfolios with similar objectives and risk profiles; and
- (3) maintain an acceptable risk level when measured by the standard deviation of quarterly returns of the representative benchmark (91-Day Treasury Bill).

#### **4. ALTERNATIVE ASSET ALLOCATION**

The alternative asset allocation shall consist of real estate, real return, absolute return, and private equity investments. Alternative investments are non-traditional investments that have low correlation with most traditional asset classes. Alternative investments are usually transacted through a partnership structure and are often characterized by limited liquidity, infrequent valuations, and the need for greater administrative workload and oversight. The State Board of Education recognizes that additional investment classes may reduce the Fund's overall volatility of returns and/or enhance overall performance.

The alternative asset allocation, upon full implementation, should represent approximately 28% of the Fund at market value.

The alternative asset manager(s) will be subject to the following general and specific investment guidelines:

##### **d. Real Estate Manager(s):**

A real estate manager is expected to achieve over the course of a fair market cycle of three to five years the following:

- (1) achieve an annualized time-weighted rate of return (net of fees and expenses) in excess of the return of the benchmark represented by the NCREIF Property Index;
- (2) maintain an acceptable risk level when measured by the standard deviation of quarterly returns of the representative benchmark (NCREIF Property Index).

##### **e. Real Return Manager(s):**

A real return manager is expected to achieve over the course of a fair market cycle of three to five years the following:

- (1) achieve an annualized time-weighted rate of return (net of fees and expenses) in excess of 5% above the return of inflation, represented by the Consumer Price Index (CPI);

##### **f. Absolute Return Manager(s):**

An absolute return manager is expected to achieve over the course of a fair market cycle of three to five years the following:

- (1) achieve an annualized time-weighted rate of return (net of fees and expenses) in excess of 5-10% above the return of inflation, represented by the Consumer Price Index (CPI). The return premium expected should correspond with the strategy objectives of each individual investment, and shall be outlined in the respective management contract.
- (2) achieve an annualized time-weighted rate of return (net of fees and expenses) in excess of the return of the benchmark represented by the HFRI Fund of Funds Index;
- (3) maintain an acceptable risk level when measured by the standard deviation of quarterly returns of half (50%) the volatility of the broad equity market, represented by the S&P 500 Index.

**g. Private Equity Manager(s):**

A private equity manager is expected to achieve, over the life of each partnership (typically ranging 10+ years), the following:

- (1) achieve an annualized time-weighted rate of return (net of fees and expenses) in excess of 5% above the return of the broad equity market, represented by the S&P 500 Index;
- (2) achieve an internal rate of return (net of fees and expenses) in excess of established target for the individual investments' objectives and vintage year.
- (3) Equity holdings that are taken private with the option to participate in the new private company ("stub equity"), shall be considered and analyzed for their value to the Fund. If the executive administrator deems that receiving shares of the new company is of economic value he/she shall inform the SBOE of the investment in the private company at the next board meeting. These assets will be treated as part of private equity allocation and shall not exceed 10% of the private equity asset class target.

**5. Performance Monitoring**

The objectives outlined above for managers within each asset class recognize that the investment horizon is long-term and that investment competence must be measured throughout a meaningful period of time. While the quantitative assessment of managerial competence will be measured over a fair market cycle of three to five years, the State Board of Education anticipates that its Investment Consultant will make interim quantitative and qualitative judgments. Specific quantitative and qualitative factors, which will be reported to the Board by its Investment Consultant and reviewed on an ongoing basis, include:

- Fundamental changes in investment philosophy
- Changes in organizational structure or financial condition (including significant changes in total assets under management)
- Changes in key personnel
- Changes in fee structure
- Any regulatory activity or litigation brought against the manager

**6. Watch List**

If a manager is not meeting the corresponding performance expectations outlined above, if the managers' performance falls below that of the appropriate index for three consecutive quarters, or the manager's relative rank falls significantly below the respective median, the manager will be placed on a "watch list". After the manager has been placed on the "watch list", the investment consultant and/or the PSF staff should interview the manager via phone conversation or in person. If the manager's performance fails to improve relative to the standards detailed above, and/or qualitative factor changes remain unresolved, the manager may be considered for termination.

**7. Currency Hedging Strategies for International Portfolios**

According to 19 TAC 33.25: Permissible and Restricted Investments and General Guidelines for Investment Managers, the State Board of Education may approve currency hedging strategies for the international portfolios, if consistent with the overall objectives of the Fund.

The following sets forth the State Board of Education's procedures in hedging the international portfolios foreign currency exposure of the Permanent School Fund:

- a. The objective of the currency hedge is to protect the value of the portfolio from currency fluctuations when investments in foreign securities are translated back into U. S. dollars. As such, portfolio leverage and cross hedging outside of US dollars is not permitted;
- b. While it is expected that most contracts open to hedge currency exposure will be for periods of less than three months, the Board recognizes the longer-term nature of currency movements. The maturity of any hedging contract engaged by a manager shall not exceed a period of 12 months, provided however, that a maturity beyond the 12 month period may be requested, in writing, by a respective manager and may be granted by the Board if conditions warrant the extension of maturity;
- c. Foreign exchange contracts and futures instruments may be purchased and sold against the receipt of cash, securities and other readily negotiable instruments related to securities held in the portfolios; and
- d. All institutional counterparties with which a foreign currency contract is engaged shall meet a minimum rating of A3 compiled by Moody's Investors Service Global Credit Research Counterparty Ratings.

## **8. Financial Futures**

The Fund may purchase or sell financial futures contracts for the purpose of making asset allocation changes in a more efficient and cost effective manner, and to improve liquidity. Futures contracts shall be subject to the following terms and conditions:

- a. Traditional investment managers will not enter into futures transactions for the purpose of speculative leveraging. Speculative leveraging is defined as buying financial futures where the amount of the contract obligation is an amount greater than the market value of the portfolio's cash and short-term (maturities of less than one year) securities. In no instance will the total amount of the contract be an amount greater than the market value of the portfolio's cash and short-term securities. Some alternative asset investment strategies, such as private equity and real estate, may employ speculative leveraging. For private equity investment, leverage, if utilized, must be limited to less than 50% at the limited partnership level in which the Fund is an investor. For core real estate investments, leverage should not exceed 40% across the entire portfolio. For non-core real estate managers, there are no specific limits on leverage, however usage shall be outlined specific to each investment within the management agreement.
- b. The total amount of the portfolio's financial futures contract obligation should not exceed two and one half percent (2.5%) of the market value of the portfolio's total assets. The Fund may exceed the two and one half percent (2.5%) rule during a transition approved by the SBOE.
- c. The sum of each portfolio together with the financial futures contract obligation should be within the asset allocation range for each asset class.
- d. The Fund may use cash and obligations of the U.S. government or any of its agencies to meet the margin requirements.

- e. Financial futures contracts may be written in an underlying market index which reflects the asset class invested by the portfolio.
- f. Futures transactions will be conducted with only a few of the highest quality domestic and international banks and brokerage firms. These firms must be members of the National Futures Association (NFA) and the Commodities Futures Trading Commission (CFTC). The criteria to be used in selecting such banks and brokerage firms should include, but should not be limited to strong capitalization, their experience in the financial futures markets as well as compliance with the Fund's guidelines for selecting brokerage firms.

## **G. LEGAL ACTION**

The Fund staff will file and monitor all class action claims. In other instances where the Fund may have potential legal recourse over current or former investments, Fund staff shall consult with TEA counsel and the Attorney General's office if needed. Upon consultation, staff shall take action as needed to protect the Fund's legal rights, including authorizing suit. Staff shall report back to the SBOE on any action taken at the next regular meeting.

## **H. PROCESS FOR THE SELECTION OF CONSULTANTS, INVESTMENT MANAGERS, CUSTODIANS AND OTHER PROFESSIONALS TO PROVIDE OUTSIDE EXPERTISE TO THE PERMANENT SCHOOL FUND:**

### **1. Communications with Board Members**

From the time that a Request for Proposal is distributed by Staff to prospective professionals from whom the Board will be requesting outside expertise to The Permanent School Fund, any communication by a prospective respondent with any member of the Board must be in writing and filed with the Executive Administrator of the Permanent School Fund at the same time the communication is dispatched to the Board member.

- a. The communication filed with the Executive Administrator must specify the Board member to whom the communication was dispatched, the nature of the communication and its purpose.
- b. All communications received by the Executive Administrator will be logged by time received, with the firm or individual identified.
- c. Upon receipt, the Executive Administrator shall forward copies of the communication to the other members of the Board not in receipt of the communication.
- d. No communication is permitted with any Board member from the response deadline date of the Request for Proposal through and including the day of the selection of outside professional expertise.
- e. Any professional seeking to provide outside expertise to the Permanent School Fund and found in violation of this procedure shall be disqualified from the bidding process with respect to the applicable Request for Proposal.
- f. Prospective professionals providing outside expertise shall further comply with all other statutory provisions regulating Requests for Proposals.

### **2. Steps for Identification and Selection of Outside Professionals**

The sequence of steps to be completed to identify and select qualified firms or individuals who satisfy the Board's need for expert assistance are:

Step 1. The Permanent School Fund Committee directs staff to develop a Request for Proposal to be adopted by the committee.

Step 2. Staff, in developing the Request for Proposal (RFP), shall define the service or expertise needed, establish minimum objective criteria to be consistently applied to all parties in order to determine eligibility for consideration and detail all information to be considered for eligible parties.

(Examples of information required include name and address of the firm, number of employees, size and type of client basis, assets under management, areas of expertise, staff experience, staff turnover, other public fund clients, references, fee proposals, etc.)

A standard set of evaluation criteria are drafted and used to evaluate the proposals.

The financial press contacts the Fund on a regular basis. Searches undertaken are generally reported in the financial press on a timely basis. Firms who request RFPs as a result of reading such articles are mailed an RFP by the Fund or the consultant.

The Committee on the Permanent School Fund may appoint a sub-committee to oversee the RFP development process and the establishment of criteria for both eligibility and evaluation.

Step 3. The Committee (or sub-committee, if appointed) in coordination with staff and/or consultants, shall identify the universe of potential firms and screen this universe based upon the minimum objective criteria.

Step 4. The Request for Proposal is adopted by the Board (Committee) and is mailed to the list of prospective vendors. The candidates are given a deadline to respond. Any qualifying proposals received by the deadline, and any supplemental information requested, are considered further.

Step 5. The proposals are presented to the Committee on the Permanent School Fund for review at a formal presentation. In the event that the number of proposals received in response to the Request for Proposal is too extensive to be considered by the full Committee at a formal presentation, the Committee may delegate the process of screening the proposals and selecting the finalists to the appointed sub-Committee or to staff if no sub-committee has been appointed. These finalists will then make a formal presentation to the full committee. The Committee will then select a finalist or finalists to be recommended to the State Board of Education for ultimate ratification to provide the services requested.

Step 6. An affirmative action process shall be followed, requiring all voting members to disclose any conflicts of interest prior to vendor decisions/actions. This statement of independence shall be filed with the Executive Administrator.

Step 7. After a vendor or vendors are selected and approved by the State Board of Education, staff shall negotiate a contract for the services requested

subject to the maximum fee and any other conditions approved by the Board. The draft contract shall be reviewed by legal staff prior to execution by the Commissioner of Education.

- Step 8. SBOE members, the Committee of Investment Advisors, PSF staff, and PSF client relationship consultants will file a quarterly report which lists any substantive meetings. Disclosure should include meetings and discussions involving solicitations of potential mandates by the PSF, including industry conferences, seminars and work shops.

**Notification of Searches:** The Fund will comply with all statutory provisions applicable to the publication of Requests for Proposals.

## **I. COMPLIANCE WITH SEC RULE 15C2-12 PERTAINING TO DISCLOSURE OF INFORMATION RELATING TO THE BOND GUARANTEE PROGRAM**

### **1. Annual Reports**

The Agency shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year ending in or after 1996, financial information and operating data with respect to the Program of the general type which describes the Program and which is included in an Official Statement for Guaranteed Bonds. Any financial statements so to be provided need not be audited.

If the Agency changes its fiscal year from the year ending August 31, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the Agency otherwise would be required to provide financial information and operating data pursuant to this section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

### **2. Material Event Notices**

The Agency shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Program, if such event is material within the meaning of the federal securities laws:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions or events affecting the tax-exempt status of the Program;
- g. Modifications to rights of holders of the Bonds;
- h. Bond calls;

- I. Defeasances;
- j. Release, substitution, or sale of property securing repayment of Guaranteed Bonds; and
- k. Rating changes.

The Agency shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the Agency to provide financial information or operating data in accordance with Section 1 of this Rule by the time required by such Section.

Nothing in this Program Regulation shall obligate the Agency to make any filings or disclosures with respect to Guaranteed Bonds, as the obligations of the Agency hereunder pertain solely to the Program.

### **3. Limitations, Disclaimers, and Amendments**

With respect to a series of Guaranteed Bonds, the Agency shall be obligated to observe and perform the covenants specified in this Program Regulation for so long as, but only for so long as, the Agency remains an “obligated person” with respect to the Guaranteed Bonds within the meaning of the Rule.

The provisions of this Program Regulation are for the sole benefit of each Issuing District, as well as holders and beneficial owners of the Guaranteed Bonds; nothing in this Program Regulation, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Agency undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Program Regulation and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Program’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Program Regulation or otherwise, except as expressly provided herein. The Agency does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Guaranteed Bonds at any future date.

Under no circumstances shall the Agency or the Program be liable to the holder or beneficial owner of any Guaranteed Bond, the Issuing District or any other person or entity, in contract or tort, for damages resulting in whole or in part from any breach by the Agency, whether negligent or without fault on its part, of any covenant specified in this Program Regulation, but every right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for *mandamus* or specific performance.

No default by the Agency in observing or performing its obligations under this Program Regulation shall comprise a breach of or default under the Order for purposes of any other provision of the Order.

Nothing in this Program Regulation is intended or shall act to disclaim, waive, or otherwise limit the duties of the Agency under federal and state securities laws.

The provisions of this Program Regulation may be amended by the Agency from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Agency, but only if (1) the provisions of this Program Regulation, as so amended, would have permitted an underwriter to purchase or sell Guaranteed Bonds in the primary offering of the Guaranteed Bonds in compliance with the Rule, taking into account any

amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Guaranteed Bonds consent to such amendment or (b) a person that is unaffiliated with the Agency (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Guaranteed Bonds. If the Agency so amends the provisions of this Program Regulation, it shall include with any amended financial information or operating data next provided in accordance with Section 1 an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Agency may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Guaranteed Bonds in the primary offering of the Guaranteed Bonds.

#### **4. Definitions**

As used in this Program Regulation, the following terms have the meanings ascribed to such terms below:

*“Agency”* means the Texas Education Agency or the successor thereto with respect to the management of the Program.

*“Guaranteed Bonds”* means obligations for which application is made and granted for a guarantee under the Program.

*“Issuing District”* means a school district which issues Guaranteed Bonds.

*“MSRB”* means the Municipal Securities Rulemaking Board.

*“NRMSIR”* means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

*“Official Statement”* means each offering document of an Issuing District used in the offering and/or sale of Guaranteed Bonds.

*“Order”* means the resolution, order, ordinance or other instrument or instruments of an Issuing District pursuant to which Guaranteed Bonds are issued and the rights of the holders and beneficial owners thereof are established.

*“Permanent School Fund”* means the perpetual school fund established by Article VII, Section 2 of the Texas Constitution.

*“Program”* means the program of bond guarantee by the Permanent School Fund, which program has been established by Article VII, Sections 2 and 5 of the Texas Constitution, and is administered in accordance with Subchapter C, Chapter 45, Texas Education Code, as amended, and the rules and regulations of the Agency. The term *“Program”* shall also include the rules, regulations and policies of the Agency with respect to the administration of such program of guarantee of school district bonds, as well as the rules, regulations, policies of the Agency with respect to the administration, and the operational and financial results, of the Permanent School Fund.

“*Program Regulation*” means this rule of the Agency which is promulgated for the purpose of establishing and undertaking with respect to the Program which satisfies the requirements of the Rule.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

“*SID*” means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

## **J. TRADE POLICY SOFT DOLLAR, DIRECTED TRADE, AND COMMISSION RECAPTURE PROCEDURES**

Section 33.40 Trading and Brokerage Policy of 19 TAC 33 Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund establishes the trading and brokerage policy for the Permanent School Fund. The principles of the policy specify that all transactions executed by investment managers for the Permanent School Fund shall be obtained at best execution and <sup>1</sup>lowest cost. Ongoing efforts must be made to reduce trading costs provided that the investment returns of the Fund are not jeopardized.

Provided that the total return of a manager’s portfolio is not adversely affected or that the investment process is not affected so as to place the Fund in a disadvantageous position relative to the investment manager’s other accounts, and provided that best execution and lowest cost are obtained, each manager may be expected to direct a percentage of its trading to specified firms for the purpose of brokerage commission recapture programs as may be directed, from time to time, by the State Board of Education.

The SBOE recognizes that some broker/dealer firms provide services above and beyond pure execution as part of its services offered to the Fund in exchange for commission oriented transactions. Furthermore, the SBOE recognizes that transactions costs incurred by the Fund in the form of commissions<sup>21</sup> may be treated by brokerage firms as payment for research services as well as execution services. While many large broker/dealer firms provide proprietary research services, the Board recognizes that certain firms (“soft dollar” broker/dealers) distribute research services of independent third party providers. The value of independent research services provided by broker/dealers is known as “soft dollars.”

The SBOE recognizes that a soft dollar program may be established through a commission recapture agreement between an investment manager and a broker/dealer whereby a portion of the commission may be returned to the Fund. According to Section 28(e) of the Securities Exchange Act of 1934, this portion of the commission is available for expenditure if it is used only for research, the brokerage firm provides the research, the commission is reasonable, and the commission applies only to an agency security transaction. A properly implemented soft dollar program can allow a portion of the listed commissions stream to be captured and used to offset direct investment management expenses of the Fund. “Commission recapture” is when a portion of the commission stream is returned to the Fund by the broker/dealer.

Additionally, the SBOE recognizes that the soft dollar potential of the Fund is limited by the trading activity for the Fund and the number of listed trades that can be executed with a specific broker under the standard of lowest cost and best execution.

The State Board of Education recognizes that creating and maintaining a prudent policy pertaining to brokerage commissions is an integral part of fulfilling its fiduciary duties and

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<sup>1</sup> †The term “commissions” shall include fixed income credits where applicable.

therefore establishes the following procedures related to soft dollar agreements, commission recapture agreements and directed trades for investment managers of the Permanent School Fund:

1. The commission rate for a soft dollar trade shall be no more than the standard commission rate of a regular broker/dealer trade;
2. All commissions paid shall be reported to the Board at its regularly scheduled meetings appropriately separating soft dollar trades from regular trades, and shall include the average commission per share on equity transactions for both soft dollar commissions and regular commissions;
3. At least annually, the Committee on the Permanent School Fund shall review a schedule of soft dollar services provided by broker/dealers and the percent recapture rate of each broker/dealer;
4. Due to the differences in execution ability of broker/dealer firms and the differences in trading and liquidity characteristics of securities, investment managers will select broker/dealers based on the principle of best execution and lowest cost and other applicable provisions of 19 TAC 33.40 - Trading and Brokerage Policy;
5. The Accounting Department of the Permanent School Fund shall reconcile the statements of the soft dollar brokers to specific services provided to the Fund;
6. External investment managers are prohibited from participating in "soft dollar" programs and shall participate in commission recapture programs only as directed by the Fund; and
7. To facilitate the ability of investment managers to obtain the lowest cost and best execution, a broker/dealer firms shall be designated by the staff of the Permanent School Fund as soft dollar/commission recapture firms. The conversion rate is to be negotiated by the staff and reported to the Committee on the Permanent School Fund. The soft dollar/commission recapture broker must meet the applicable criteria for the selection of a broker/dealer firm as outlined in Section 33.40(c) - Guidelines for Selecting a Brokerage Firm, found in Chapter 33. - Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund.

**K. INCLUSION OF HISTORICALLY UNDERUTILIZED BUSINESSES IN THE MANAGEMENT OF THE PERMANENT SCHOOL FUND**

1. The State Board of Education (SBOE) wishes to ensure an equal opportunity for all businesses to provide goods and services to the Texas Permanent School Fund (PSF). It is the goal of the SBOE to promote full and equal opportunity for all businesses in contracting or subcontracting with the PSF. Accordingly, the Board encourages the utilization of historically underutilized businesses (HUBs), as defined by Section 2161.001 (2) of the Texas Government Code (rev. 1999), for securities brokerage services.
2. The PSF Executive Administrator shall abide by the provisions of the Texas Building and Procurement Commission (TBPC) procurement policy established by 1 Texas Administrative Code (TAC), Chapter 111 regarding the utilization of HUBs as subcontractors as set forth in this Section.
3. All external contractors providing investment management services to the PSF shall abide by the provisions of the TBPC procurement policy established by 1 TAC, Chapter 111 regarding the utilization of HUBs as subcontractors. The Texas Education Agency

requires that each prime contractor use the HSP Progress Assessment Report for reporting payments to HUB subcontractors.

4. For purposes of administration of this Section (Subchapter J), entities registered as HUBs, as defined by Section 2161.001 (2) of the Texas Government Code (rev. 1999) shall be considered as meeting the requirements of Chapter 111.
5. For the purpose of interpreting 1 TAC Chapter 111, broker/dealers are considered "professional service" providers. The goal for subcontracting to such providers is 20%.
6. The Executive Administrator of the Fund shall, immediately or upon selection of a new PSF vendor, deliver to each external Investment Manager or Contractor a copy of this rule and of 1 TAC Chapter 111.
7. The Executive Administrator of the PSF shall require in a form acceptable to the Committee on School Finance/Permanent School Fund, the submission of reports of compliance with these provisions by all outside contractors. Investment managers shall include in regular quarterly reporting on PSF portfolios to the SBOE summaries of brokerage commissions paid for the quarter and year-to-date by broker/dealer summarizing transactions paid to HUB firms.
8. After assembly of such reports, the Executive Administrator of the PSF shall report to the Committee on School Finance/Permanent School Fund regarding compliance with these provisions by internal staff and all external contractors at each regularly scheduled meeting. The committee shall receive the report of the Executive Administrator and report these findings to the SBOE.
9. The Executive Administrator shall include this policy with all requests for proposals, and shall include each prospective vendor's response respective to this policy prominently to the SBOE.

**EXHIBIT C**  
**DEFINITION OF HISTORICALLY UNDERUTILIZED BUSINESS (HUB)**

(As defined in V.T.C.A., TX Govt. Code, §2161.001)

- (2) "Historically underutilized business" means an entity with its principal place of business in this state that is:
- (A) a corporation formed for the purpose of making a profit in which 51 percent or more of all classes of the shares of stock or other equitable securities are owned by one or more economically disadvantaged persons who have a proportionate interest and actively participate in the corporation's control, operation, and management;
  - (B) a sole proprietorship created for the purpose of making a profit that is completely owned, operated, and controlled by an economically disadvantaged person;
  - (C) a partnership formed for the purpose of making a profit in which 51 percent or more of the assets and interest in the partnership are owned by one or more economically disadvantaged persons who have a proportionate interest and actively participate in the partnership's control, operation, and management;
  - (D) a joint venture in which each entity in the venture is a historically underutilized business, as determined under another paragraph of this subdivision; or
  - (E) a supplier contract between a historically underutilized business as determined under another paragraph of this subdivision and a prime contractor under which the historically underutilized business is directly involved in the manufacture or distribution of the goods or otherwise warehouses and ships the goods.
- (3) "Economically disadvantaged person" means a person who is economically disadvantaged because of the person's identification as a member of a certain group, including Black Americans, Hispanic Americans, women, Asian Pacific Americans, and Native Americans, and who has suffered the effects of discriminatory practices or other similar insidious circumstances over which the person has no control.

Added by Acts 1995, 74th Leg., ch. 41, § 1, eff. Sept. 1, 1995. Amended by Acts 1999, 76th Leg., ch. 1499, § 1.21, eff. Sept. 1, 1999.

**DOCUMENT A  
COVER PAGE**

**PROPOSAL**

Submitted to the Purchasing & Contracts Division  
Texas Education Agency  
RFP No 701-09-003

TEA REQUEST FOR PROPOSAL: **Investment Management Services for International Index for the Texas Permanent School Fund**

FIRM ISSUING THIS PROPOSAL: (Name and address of firm submitting proposal)

CONTAINS PROPRIETARY :  **Yes**, this proposal contains proprietary material  
or  
 **No**, this proposal **does not** contain proprietary material

DATE SUBMITTED: (Date proposal is submitted to TEA)

RESPONDENT FIRM IDENTIFICATION NUMBER: (Show respondent firm's Federal Employer's Identification Number or SSN if an individual.)

PROPOSAL DEVELOPED BY: (Name, position, telephone number, and e-mail address of person responsible for development of proposal)

PROPOSAL ADMINISTRATOR: (Name, position, telephone number, and e-mail address of person to be in charge of the proposal)

PROPOSAL TRANSMITTED BY: (Name, position, telephone number, and e-mail address of official committing firm to the proposal)

CONTRACTING OFFICER: (Name, position, telephone number, and e-mail address of official with authority to negotiate contracts for firm)

DURATION OF CONTRACT: Contract award through August 31, 2011 with two additional (2) two-year extension options.

**DOCUMENT B  
PROPOSAL CONTENT CHECKLIST**

\_\_\_\_\_  
**Proposer Firm Name**

In accordance with Section 3.1 of RFP 701-09-003, we hereby state that this proposal response is complete and includes the following documents arranged in tabular sections in the order listed below. (check the box for each document included in the response and list the tab letter in the right column). Sign below.

	<b>Document</b>	<b>Document Title</b>	<b>Tab</b>
<input type="checkbox"/>	Document A	<a href="#">Proposal Cover Page</a>	
<input type="checkbox"/>	Document B	<a href="#">Proposal Content Checklist</a>	
<input type="checkbox"/>	Document C	<a href="#">Statement of Minimum Qualifications</a>	
<input type="checkbox"/>	Document D	<a href="#">Evidence of Proposer's Financial Responsibility</a>	
<input type="checkbox"/>	Document E	<a href="#">Investment Manager Profile</a>	
<input type="checkbox"/>	Document F	<a href="#">Investment Manager Questionnaire</a>	
<input type="checkbox"/>	Document F-1	<a href="#">Populating the eVestment Alliance Database</a>	
<input type="checkbox"/>	Documents: G-1 G-2 G-3	<a href="#">Conflict of Interest and Contacts Questionnaire</a> for Proposing Firm, Lead Investment Professionals, Key Professional Employees, and Others (multiple forms)	
<input type="checkbox"/>	Document H	<a href="#">Fee Proposal</a>	
<input type="checkbox"/>	Document I	<a href="#">HUB Subcontracting Plan</a>	
<input type="checkbox"/>	Document J	<a href="#">Signed Execution of Offer, Affirmation of Terms and Conditions, and Proposal Preferences</a>	

\_\_\_\_\_  
Proposer's Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**DOCUMENT C**  
**STATEMENT OF MINIMUM QUALIFICATIONS**

(Proposer Firm Name) \_\_\_\_\_ certifies that it meets the following minimum qualifications of RFP 701-09-003 as required in accordance with 1.3 Minimum Qualifications of the Proposer. The proposer must use this document to clearly demonstrate that it meets the minimum qualifications **as of June 30, 2008**. The following questions **1 through 15**, are intended to assist the proposer, and each question must be answered. However, it is the responsibility of the proposer to clearly demonstrate that it meets the minimum qualifications. To do so, the proposer can add to the question set for each minimum qualification.

Minimum qualifications for firms: All firms submitting proposals for the mandate stated in this RFP, must at a minimum:

- a. provide evidence of firm stability and financial strength;
  1.  Yes, our proposal provides evidence of our firm stability and strength contained in **DOCUMENT D: EVIDENCE OF PROPOSERS FINANCIAL RESPONSIBILITY**.
  - No, our firm is unable to comply with the requests of **DOCUMENT D**.
- b. be an investment advisor registered with the SEC under the Investment Advisors Act of 1940;
  2.  Yes, as of June 30, 2008, our firm is a Registered Investment Advisor (RIA) with the SEC and our firm has been registered with the SEC as an RIA since the year \_\_\_\_\_.
  - No, our firm is not registered with the SEC as an RIA as of June 30, 2008. We are exempt from registration and proof has been provided as an attachment.
  - No, our firm is not registered with the SEC as an RIA as of June 30, 2008. We are not exempt from registration.
- c. act as a fiduciary with respect to work performed and with respect to any specific recommendations made for TPSF;
  3.  Yes, as of June 30, 2008, our firm will act as a fiduciary with respect to work performed and any specific recommendations made;
  - No, our firm will not act as a fiduciary as required in Minimum Qualification **c**.
- d. have a total of US\$4 billion or more of passive international equity assets under management for institutional clients.
  4.  Yes, as of June 30, 2008, our firm will have a total of US\$4 billion or more of passive international equity assets under management for institutional clients;
  - No, our firm will not have a total of US\$4 billion or more of passive international equity assets under management for institutional clients as required in Minimum Qualification **d**.
5. Complete the following to demonstrate how your firm meets the Minimum Qualification **d**, as of June 30, 2008.

Assets Under Management, \$USD in Millions in response to Minimum Qualification <b>d</b>							
As of June 30, 2008	Corporate Client Assets	Public/Govt Assets	Union/ Taft-Hartley Assets	Endowment/ Foundation Assets	Total Inst'l Assets	Other Assets	Total AUM (e+f)
	a	b	c	d	(a+b+c+d)=e	f	
\$AUM	\$	\$	\$	\$	\$	\$	<b>\$ Min Qual d</b>

- e. have a minimum of five (5) years experience of passive management of international equity assets and provide audited and certified Performance Presentation Standards (PPS) or Global Investment Performance Standards (GIPS) of the CFA Institute compliant performance data for product mandate under this RFP, including, but not limited to, tracking error data (note: simulated or back tested results for any or all of this period are not acceptable);
5.  Yes, as of June 30, 2008, our firm will have a minimum of five (5) years experience of passive management of international equity assets and will be able to provide PPS, GIPS compliant performance data for the product mandated by this RFP, including, but not limited to, tracking error data; none of which is simulated or back-tested.
- No, our firm will not have a minimum of five (5) years experience of passive management of international equity assets as required in Minimum Qualification e.
6. Please complete the table below with data for separately managed product that meets the mandate requirements described under this RFP in response to Minimum Qualification e.

MSCI ACWI Index ex USA (net dividends) Composite (Separately Managed Account)				
Annualized 12 month Period Ending	Gross Performance Return (Before Fees)	Tracking Error	Number of Holdings	Assets Under Management (\$AUM) in the Product Composite
June 30, 2008 (partial period)				
December 31, 2007				
December 31, 2006				
December 31, 2005				
December 31, 2004				
December 31, 2003				

- f. demonstrate having provided investment management services to institutional tax-exempt organizations, and must currently have at least three (3) institutional public fund, endowment, or foundation clients, each client with no less than ten (\$10) billion, and prefer twenty(\$20) billion or greater in total fund assets;
7.  Yes, as of June 30, 2008, our firm has provided investment management services to institutional tax-exempt organizations, and currently has at least three (3) institutional public fund, endowment, or foundation clients, each client with no less than ten (\$10) billion total fund assets under management.
- No, our firm does not meet Minimum Qualification f.
8. In the space provided below, demonstrate having provided investment management services to institutional tax-exempt organizations in response to Minimum Qualification f:

Firm History in response to Minimum Qualification f

9. In the space provided below, list at least three (3) current institutional public fund, endowment, or foundation clients in response to Minimum Qualification f. If more than three,

list the additional clients that meet the criteria. Do not refer to client lists included as appendix 1 of the questionnaire.

Firm Client-base in response to Minimum Qualification f.				
Individual Client (Name)	Client Type (i.e., Public Fund, Endowment, Foundation, etc.)	From -To MM/YY – Present	# Years	Client Total Fund AUM (In billions) ( No less than \$10,billion) <b>Min Qual f</b>
1. Client 1				
2. Client 2				
3. Client 3				
4. Client 4				
5. Client 5				
6. Client etc.				

- g. The proposing firm must agree, if tentatively selected, to enter into good-faith fee negotiations. The fee structure provided must represent your proposed fee, not simply a reproduction of your standard fee schedule. Proposed fees should be stated using an asset-based formula.
10.  Yes, we affirm our willingness to enter into good-faith fee negotiations and to develop a fee structure specific to the requirements stated within the RFP.
- No, our firm cannot meet Minimum Qualification g.
- h. comply with provisions stated in Chapter 33 of the Texas Administrative Code: Statement of Investment Objectives, Policies, and Guidelines of Texas Permanent School Fund;
11.  Yes, we have read the provisions stated in Chapter 33 of the Texas Administrative Code: Statement of Investment Objectives, Policies, and Guidelines of Texas Permanent School Fund and we see no barriers to complying with such provisions.
- No, our firm is unable to comply with Minimum Qualification h.
- i. comply with the provisions stated in the Investment Procedures Manual of the Texas Permanent School Fund **EXHIBIT B**;
12.  Yes, we have read the provisions stated in the Investment Procedures Manual of the Texas Permanent School Fund and we see no barriers to complying with such provisions.
- No, our firm is unable to comply with Minimum Qualification i.

Minimum qualifications for lead investment professionals: The lead investment professionals assigned to the TPSF account **must**:

- j. Have a minimum of three (3) years with the firm;
- k. Have a minimum of five (5) years experience providing investment management to clients with at least ten (\$10) billion in assets, and prefer public fund or endowment client experience.
- l. Have a minimum of ten (10) years relevant investment experience, the majority of which must be in investment management.

13. Provide the names of investment professionals who will be assigned to the TPSF account. Include their length of experience as described in the above minimum qualifications.

<b>INVESTMENT PROFESSIONALS</b>						
Assigned to the Texas Permanent School Fund Account						
Name	Responsibility	Year Joined Firm	Years With Firm <b>Min Qual j</b>	Years with Firm and Prior	Years experience as described in <b>Min Qual k</b>	Years experience as described in <b>Min Qual l</b>
1.						
2.						
3.						
4.						
5.						

14. In the space below, include relevant excerpts of biographies that clearly demonstrate how each of the above named investment professionals meets all three Minimum Qualifications j, k, and l. Do not refer to biographies included as appendix 2 of the questionnaire.

Investment Professional Biography Excerpts, in response to <b>Minimum Qualifications j, k and l</b>

\_\_\_\_\_  
Proposer's Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**DOCUMENT D**  
**EVIDENCE OF PROPOSER'S FINANCIAL RESPONSIBILITY**

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**Proposer Firm Name**

In accordance with Section 3.2 of RFP 701-09-003, we hereby submit the following documents to substantiate the financial viability of our firm. For the evidence we are not including as part of our proposal submission, we have provided a brief explanation.

*(Check all that apply and include behind this cover sheet.)*

**Evidence Requested In Support of Financial Viability:**

1. \_\_\_\_\_ Most recent audited financial statements;  
and/or  
\_\_\_\_\_ Most recent certified public accountant-compiled financial report.
2. \_\_\_\_\_ Details of all past or pending litigation or claims filed against the firm that may affect performance under a contract with TEA. Use separate sheet if necessary.
3. \_\_\_\_\_ Identification if the proposer is currently in default on any loan agreement or financing agreement with any bank, financial institution or other entity. If so, on a separate sheet, specify date(s), details, circumstances, and prospects for resolution.
4. \_\_\_\_\_ Statement of Auditing Standards 112 Letter, if issued. (formerly "management letter")
5. \_\_\_\_\_ SEC Form ADV :
  - a. Part 1;
  - b. Part 1 Item 11 DRP pages;
  - c. Part 2
6. \_\_\_\_\_ Schedule of applicable insurance coverage, including required fidelity bonds, errors and omissions coverage and any fiduciary coverage which your firm carries.
7. \_\_\_\_\_ Contact information and statement authorizing direct contact with the firm:
  - a. External certified public accountant; and
  - b. Chief Financial Officer.
8. \_\_\_\_\_ Other statements or evidence of financial viability.

**DOCUMENT E**  
**Investment Management Profile**

*Please note that these questions will be directly included in a report to the SBOE and will not be edited. Please retain the format of this document. This document is not to exceed **four (4) pages**.*

---

**Proposer Firm Name**

As of Quarter Ending June 30, 2008

<b>Organization</b>			
Year Firm Established		Total Firm AUM (In millions)	\$ MM
Main Headquarters		Total Firm Endowment/ Foundation AUM (In millions)	\$ MM
Ownership Structure		Total Number of Staff	
Percent Employee Owned		Total Number of Investment Professionals	

**Proposed Product**

Name and describe the type of product you propose.

**Firm Philosophy**

Describe your firm philosophy when providing investment management services, as it relates to a permanent, public endowment.

**Firm Process**

Describe your firm process for identifying investment opportunities and recommending such to clients.

**Biographies**

Include brief biographies of the lead investment professionals and other key professionals that your firm will assign to the TPSF account.

**DOCUMENT F  
INVESTMENT MANAGEMENT QUESTIONNAIRE**

For reference purposes, the following acronyms are used throughout this questionnaire:

<b>Acronym</b>	<b>Long Name</b>
RFP	Request for Proposal
SBOE	State Board of Education
TEA	Texas Education Agency
TPSF	Texas Permanent School Fund
RVKuhns	R.V. Kuhns & Associates, Inc.

**CONTACT INFORMATION**

Provide the name, address, telephone number, fax and e-mail of the designated person responsible for answering questions regarding the RFP. Also include the name, title, telephone, and fax number of one lead investment professional and one key professional employee responsible for our account. Please also include relevant web addresses for the firm.

Firm Name:	
Address:	
Company Website:	

Contact ( Person Preparing RFP Response):	
Title:	
Phone Number:	
Facsimile Number:	
Email Address:	

Contact (Lead Investment Professional):	
Title:	
Phone Number:	
Facsimile Number:	
Email Address:	

Contact (Key Professional Employee):	
Title:	
Phone Number:	
Facsimile Number:	
Email Address:	

The proposer should respond to all questions (1-57), as of June 30, 2008.

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## **BUSINESS AND ORGANIZATIONAL STRENGTH (20 Points)**

### **General Firm Information**

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1. What year was your firm established?
2. How long has your firm provided passive investment services for institutional clients?
3. List the location(s) of your headquarters and branch offices. State the primary function of staff (i.e. Portfolio Managers, Marketing, Trading & Operations) and number of staff in each office.

	Location	Primary Function of Staff	# of Staff
Main Headquarters:			
Branch Office (1):			
Branch Office (2):			

### **Firm Organizational Structure**

---

4. Provide a firm organizational chart, depicting parent, subsidiary, and affiliate organizations, and divisions/ departments. Identify distinct lines of business in your firm which are in addition to your investment management line of business.
5. Describe any changes in your organizational structure in the last five (5) years, including new business ventures.
6. Does your firm anticipate any major organizational changes or structural changes within the firm the foreseeable future?
7. Provide an outline of your firm's succession plan.
8. Describe the business continuity plan your firm has in place in order to permit it to continue to deliver the services described in this RFP and to preserve all associated electronic and written records, in the case of a disaster.

### **Firm Philosophy**

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9. What do you see as your firm's competitive advantage or strongest area of expertise?
10. Are there services you provide which make your firm unique from your competitors?
11. Explain your firm's goals and plans for expansion, particularly how such goals may pertain to accepting new client business.

**Firm Ownership Structure and Alignment of Staff Interests**

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- 12. Describe the ownership structure of your firm.
- 13. What percentage of the firm is owned by current active employees, retired employees, parent company, affiliates or other entities?
- 14. Provide the names of individuals possessing ownership, including their title or position within the firm.
- 15. Describe any ownership changes in the last five (5) years.
- 16. Does your firm anticipate any changes in ownership, including selling minority equity positions?
- 17. Describe any specific programs for keeping valued employees.
- 18. Describe the recent financial condition of your firm.

**Professional Services**

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- 19. Who are the accountants for your firm?
- 20. How often is your firm audited?
- 21. Who are the auditors for your firm?
- 22. Who are the legal advisors for your firm?
- 23. List other independent service providers or contractors your firm may use, in relation to the services you propose for the TPSF.

**Assets Under Management**

---

24. Complete the chart below and enter asset values for international index assets:

Calendar Year End	Institutional Client Accounts			Institutional Client Assets Under Management (AUM)		
	Total #	# Institutional	# Other	Total \$	\$ Institutional	\$ Other
2007						
2006						
2005						
2004						
2003						
2002						
2001						
2000						
1999						
1998						
1997						

**Firm Experience and Capacity**

---

- 25. Provide a staff organization chart showing functions, positions, and titles of all professionals in your organization. (Chart should identify relevant positions within the organization of those involved in general investment management services).
- 26. Explain how the firm controls the quality of service provided to the clients.
- 27. Provide the year and role of any investment professionals that have been gained or lost in the last five (5) years.

Name	Title	Role	Tenure	Arrival Date	Departure Date

- 28. As appendix \_\_1\_\_ to this questionnaire, provide your client list.
- 29. Provide a list of clients gained and/or lost during the past five years. Indicate the size of the fund and the reason for ending the relationship.

Client	Date of Hire	Date of Termination	Size of Fund	Reason

**Experience of Professional Staff**

---

- 30. List all investment professionals, key professional employees, and others who will represent the firm and be assigned to the TPSF account. This includes all individuals of affiliate groups that will work on the TPSF account. **Highlight who would be the lead person(s) on this account.**

Name	Title	Responsibilities	Total Years of Investment Experience	Years With The Firm	School from Which He/She Graduated	Highest Degree Conferred	Year of Graduation

- 31. As appendix \_\_2\_\_ to this questionnaire, provide detailed biographies of each of the professionals named above.
- 32. Discuss, especially from the TPSF perspective, the procedures for managing the loss of any of the key investment professionals assigned to the TPSF account.

**Reference Information**

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33. Provide evidence that the firm and the investment professionals assigned to the TPSF account have gained experience through working for similar clients. Cite the name of the organization(s) served, the kinds of activities that were performed, and describe.
34. Please provide at least five (5) client firm references, at least three (3) of which are institutional, that TPSF staff can contact. The reference should have been a client for at least three years. Include at least one non-ERISA, one public fund client, and one corporate client. Please indicate the assets under management. Also, include the firm address, contact name, title, phone number, and e-mail address.

**No employees of TEA can be listed in the proposal as references.**

Client Firm Name	Discretion	\$AUM	Client for # of Years	Firm Address (City, State)	Contact Name and Title	Phone	E-mail
1. (Non-ERISA Client)	<input type="checkbox"/> Yes <input type="checkbox"/> No						
2. (Public Fund Client)	<input type="checkbox"/> Yes <input type="checkbox"/> No						
3. (Corporate Client)	<input type="checkbox"/> Yes <input type="checkbox"/> No						
4. (Institutional Client)	<input type="checkbox"/> Yes <input type="checkbox"/> No						
5. (Institutional Client)	<input type="checkbox"/> Yes <input type="checkbox"/> No						

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## **INVESTMENT MANAGEMENT EXPERIENCE (30 Points)**

The SBOE seeks to hire a firm to provide investment management to assist the SBOE in its fiduciary responsibility to the TPSF. The Investment Manager will work closely with the SBOE, Chief Investment Officer, and TPSF staff.

The answers to the following question must be responsive to the Scope of Work as described in Section 1.5 of the RFP, and establish the firm's commitment to provide the services/product described.

35. Provide a brief description of the Product/Investment management services and summarize why it is suitable for the purposes of the mandate described in this RFP.
36. Provide since inception, monthly, quarterly and annual, 1, 3 & 5 years annualized return information before fees and tracking error data (as of June 30, 2008) for the separate account composite, for the product mandate under this RFP. Provide portfolio turnover ratio for separate account composite and benchmark. Table must be provided in an Excel worksheet format.
37. Provide the number of accounts and asset size in a separate account composite since inception for the product mandate under this RFP.
38. Describe the internal structure and organization of your research department. If no separate department exists, describe how this function is performed.
39. Describe the manner in which external resources and sources of information are used in the research process.
40. How does your firm integrate internal and external research?
41. Outline your process for monitoring and reporting on market trends.
42. List the type and frequency of research reports and educational materials that your firm will provide.
43. As appendix \_3\_ to this questionnaire, provide a sample of recent research reports and educational materials listed above.
44. Describe any other proprietary or non-proprietary database systems your firm uses in its portfolio management. Describe the functionalities and capabilities of the database.

## **CLIENT SERVICE (10 Points)**

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45. Describe your client service plan for TPSF, and specifically address Section 1.5 Scope of Work.

## CONFLICTS AND BUSINESS CONDUCT (25 Points)

### Fee Payment

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46. Do you pay third party marketing fees and to which firms? Please complete the following for the last three calendar years and for the year-to-date period ending June 30, 2008:

Name of Company to Whom Fees Were Paid	Reason for Paying Fees	Amounts Paid January 1, 2008 – June 30, 2008	Amounts Paid 2007	Amounts Paid 2006	Amounts Paid 2005

### Client Conflict

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47. Do you have any policies or procedures to address conflicts of interest within your organization?
48. Will the firm contractually agree to disclose all potential and actual conflicts of interest, and will it annually disclose all sources of firm revenue and all business relationships and affiliations?
49. Explain in detail any potential for conflict which would be created by your firm contracting with TEA and TPSF, including other client relationships and/or manager fund relationships which may inhibit services to TPSF on a primary basis.

### Alternate Lines of Business

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50. Do you have any arrangements with broker-dealers under which you or a related company or a third party will benefit if trades are placed for clients with such broker-dealers?

### Litigations

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51. Over the past five (5) years, has your firm or any officer or principal been involved in any litigation or other legal proceedings relating to your investment management activities? If so, provide a brief explanation and indicate the current status.
52. Has your firm, its principals, or affiliate ever:
- been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization,
  - been a party to any litigation concerning fiduciary responsibility or other investment related matters, or
  - submitted a claim to your errors and omissions, fiduciary, liability, and/or fidelity bond insurance carrier(s)? If your firm answered yes to any of these questions, please provide details.
53. Please answer the following questions in regards to your firm:
- Is there any pending or threatened litigation against your firm of any type (civil, criminal, regulatory, arbitration, mediation or other) or has your firm been involved in a lawsuit within the last five years? If yes, please explain.

- b. Is your firm under investigation by any federal, state, local or foreign regulatory body of any type (e.g., real estate commission, NASD or attorney general)?
- c. Has your firm entered into any settlement, consent decree, cease and desist order or other similar agreement of any kind?

54. In reference to your firm's SEC Form ADV Part 1 Section 11 Disclosure Reporting Pages (DRP's), please provide an explanation for each disclosure, if any.

## **ADDITIONAL**

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- 55. As appendix \_\_4\_\_ to this questionnaire, provide a listing of published research reports, white papers authored by principals of your firm.
- 56. As appendix \_\_5\_\_ to this questionnaire, provide a sample agreement that your firm may expect to be signed in order to accept an engagement.
- 57. As a supplemental appendix to this questionnaire, include any other information that your firm believes is pertinent to this RFP, but not specifically requested anywhere else in the proposal Document Set.

## **APPENDICES**

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**Attach Here**, Questionnaire Appendices 1 through 5 (and supplemental appendix, if any).

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**End of DOCUMENT F**

**DOCUMENT F-1**  
**POPULATING THE eVESTMENT ALLIANCE DATABASE**  
**Data Entry Must be Completed by Thursday, August 28, 2008, 3 p.m. CST**

In addition to the proposer's responses to the questions in **DOCUMENT F**, the proposer, product, and performance data will be analyzed through the use of a third party database currently utilized by our Investment Consultant, R.V. Kuhns, & Associates, Inc. The database is provided by eVestment Alliance, which can be located on the web at: [www.evestmentalliance.com](http://www.evestmentalliance.com).

In order to be considered a complete response, both the questions of **DOCUMENT F** and the data loaded into eVestment Alliance are required. Failure to respond to both data intake methods will disqualify a proposer's response.

Populating the eVestment Alliance database with your product information is the most thorough opportunity for you to describe the investment product you are offering to the TPSF to satisfy the mandate under this RFP. .

The eVestment Alliance database gathers firm and product data including but not limited to:

- Assets under management;
- Qualitative description of firm and product;
- Investment professionals gained and lost;
- Investment professional tenure, work experience and education;
- Product characteristics;
- Holdings;
- Performance for vehicle recommended;
- Composite description GIPS (formerly AIMR) disclosures.

Please be sure to not leave fields blank. Respond as 0, none, or N/A only when necessary. You will not be contacted by our consultant, RVKuhns or the TPSF staff to fill in missing fields. Use additional comment fields provided to make qualifying notes as applicable.

In the space provided below, please list the name of the product, as it will appear in your entry in the eVestment Alliance database.

Product Name: \_\_\_\_\_

Please sign below to verify that you have fully completed the questionnaire.

Proposer's Authorized Signature: \_\_\_\_\_

Printed Name:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

If your firm does not already utilize the eVestment Alliance database, you can participate by sending an email with your contact information to: [getmanager@evestmentalliance.com](mailto:getmanager@evestmentalliance.com)

A representative from eVestment Alliance will contact you shortly after to establish the firm in the database. There is no charge for supplying data to eVestment Alliance.

**DOCUMENT G-1**

**CONFLICT OF INTEREST AND CONTACTS Page 1 of 7**

**Firm Submission**  **Name of Firm:** \_\_\_\_\_

**Firm Representative Completing Form:** \_\_\_\_\_

Person	Description	Personal/Social Contact	Business Contact	No Prior Relationship
<b>SBOE Members</b>				
Don McLeroy (Chairman)	District 9 College Station	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Bradley (Vice Chair)	District 7 Beaumont	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rick Agosto (Secretary)	District 3 San Antonio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rene Nunez	District 1 El Paso	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mary Helen Berlanga	District 2 Corpus Christi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cynthia Dunbar	District 10 Richmond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Patricia Hardy	District 11 Fort Worth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lawrence Allen	District 4 Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Geraldine Miller	District 12 Dallas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ken Mercer	District 5 San Antonio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mavis B. Knight	District 13 Dallas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Terri Leo	District 6 Spring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gail Lowe	District 14 Lampasas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Craig	District 15 Lubbock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Barbara Cargill	District 8 The Woodlands	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Committee of Investment Advisors to SBOE Members</b>				
Charles Kaffie, Jr.		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carlos Veytia		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
William J. Jackson		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Eric McDonald		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guy Barba		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Osborn		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Peck		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pat Scheuer		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Warren Schott		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Walter Davis		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**DOCUMENT G-1  
CONTINUED**

**CONFLICT OF INTEREST AND CONTACTS Page 2 of 7**

Person	Description	Personal/Social Contact	Business Contact	No Prior Relationship
<b>Investment Counsels, Advisors and Service Providers</b>				
Andrews Kurth, LLP - Bob Griffo	Legal counsel for Bond Guarantee Program - IRS Tax matters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
McCall, Parkhurst & Horton LLP - Dan Culver	Legal counsel for Bond Guarantee Program - Disclosure and SEC Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strasburger & Price LLP - Gary Lawson	Fiduciary Legal Counsel for SBOE and contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strasburger & Price - Gus Fields	Fiduciary Legal Counsel for SBOE and contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Graves, Dougherty , Hearon & Moody PC - Cliff Ernst	Contracting Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Graves, Dougherty , Hearon & Moody PC - Rod Edens	Contracting Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Russell Kuhns	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Becky Gratsinger	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Jim Voytko	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Ashlee Moehring	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd - Michael Humphrey	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd - Steven Novick	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd – Benjamin Blakney	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd – Lourdes Canlas	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Ben Alivio	Custodian, Performance Consultant and Securities Lending Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Catherine Wargo	Custodian	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Tom Heiner	Performance Consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Paul Schmidt	Performance Consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Michael McDermott	Securities Lending Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional Shareholder Services Governance Services	Proxy Processing Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deutsche Bank	Futures Commission Merchant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Merrill, Lynch, Pierce Fenner & Smith	Futures Commission Merchant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**DOCUMENT G-1  
CONTINUED**

**CONFLICT OF INTEREST AND CONTACTS Page 3 of 7**

<b>Person</b>	<b>Description</b>	<b>Personal/Social Contact</b>	<b>Business Contact</b>	<b>No Prior Relationship</b>
Blackstone Alternative Asset Management, LP	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Goldman Sachs Hedge Fund Strategies, LLC	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grosvenor Capital Management, LP	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K2 Advisors, LLC	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mesirow Advanced Strategies, Inc.	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>TPSF Senior Staff and TEA Legal Staff</b>				
B. Holland Timmins	Executive Administrator and Chief Investment Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carlos Veintemillas	Deputy Chief Investment Officer, Director of Fixed Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Catherine A. Civileto	Deputy Executive Administrator	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Karim Hirani	Director of Equities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
James Hubbard	Director of Public Market Alternatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Anderson	TEA General Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joan Allen	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Maska	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jeff Armstrong	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**DOCUMENT G-1  
CONTINUED  
Page 5 of 7**

**RECORD OF ALL CONTACT WITH THE SBOE, TEA STAFF AND PSF CONSULTANTS**

All proposers shall provide a listing of all substantive contacts with the members of the SBOE, the TEA/TPSF Staff and PSF consultants and legal counsel for the six months prior to the posting of this RFP. Please do not report contact with the R.V. Kuhns research division but do report any contact concerning this or any other procurement of the TPSF. Please include all phone conversations or personal meetings held with persons named above.

No, no contact has been made     Yes, contact has been made. Details listed below

Date	Person Contacted	Nature of Contact/Topic

**DOCUMENT G-1**

**CONTINUED**

**Page 6 of 7**

**DISCLOSURE OF CAMPAIGN CONTRIBUTIONS AND GIFTS**

In accordance with Section 4.3 of the State Board of Education Operating Rules, amended February 7, 2007, Disclosure of Campaign Contributions and Gifts. Link: [http://www.tea.state.tx.us/sboe/op\\_rules.html](http://www.tea.state.tx.us/sboe/op_rules.html)

- a. Any person, corporation or other legal entity which proposes to enter into a contract with or applies for a grant, contract, or charter which may be granted by the State Board of Education shall disclose whether, at any time in the preceding four years, the person, corporation, or other legal entity has made a campaign contribution to a candidate for or member of the State Board of Education. Disclosure shall be made in writing to the commissioner of education 14 calendar days prior to consideration by the board or any committee of a contract, grant or charter.

- No, no campaign contributions have been made.  
 Yes, campaign contributions have been made. Details listed below:

<b>Person For Whom A Campaign Contribution was Made (Candidate or SBOE Member)</b>	<b>Person, Corporation, or Legal Entity Making the Contribution</b>	<b>Dollar Value of the Contribution</b>	<b>Date</b>

- b. A person, corporation or other legal entity which proposes to enter into a contract with or applies for a grant, contract, or charter which may be granted by the State Board of Education shall disclose in the same manner any benefit conferred on a candidate for or member of the State Board of Education during the preceding four years. A benefit need not be disclosed if the aggregate value of benefits conferred on a member of the State Board of Education during the preceding four years does not exceed \$50. This requirement applies whether or not the person, corporation, or other legal entity is required to report the expenditure to the Texas Ethics Commission.

- No, no benefit has been conferred.  
 Yes, benefit has been conferred. Details listed below:

<b>Person For Whom A Benefit was Conferred (Candidate or SBOE Member)</b>	<b>Person, Corporation, or Legal Entity Providing the Benefit</b>	<b>Dollar Value of the Benefit</b>	<b>Date</b>

**DOCUMENT G-1**  
**CONTINUED**  
**Page 7 of 7**  
**AUTHORIZED SIGNATURE**

**ACCESS TO CONFIDENTIAL INFORMATION**

I understand that any unauthorized disclosure of confidential, sensitive and restricted student information is illegal as provided in the Family Educational Rights and Privacy Act of 1974 (FERPA) and in the implementing of federal regulation found in 34 CFR, Part 99.

I also understand that failure to observe these restrictions is prohibited by the Texas Government Code, Section 552.352 and that such an offense constitutes a Class A misdemeanor.

**SIGNATURE ATTESTATION**

I certify that all previous disclosures are accurate and I have read and I understand the above statement as it applies to my response.

\_\_\_\_\_  
Proposer's Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title, (Key Professional Employee)

\_\_\_\_\_  
Date

**DOCUMENT G-2**

**CONFLICT OF INTEREST AND CONTACTS Page 1 of 7**

Investment Professional Submission  Name of Firm: \_\_\_\_\_

Investment Professional Completing Form: \_\_\_\_\_

Person	Description	Personal/Social Contact	Business Contact	No Prior Relationship
<b>SBOE Members</b>				
Don McLeroy (Chairman)	District 9 College Station	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Bradley (Vice Chair)	District 7 Beaumont	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rick Agosto (Secretary)	District 3 San Antonio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rene Nunez	District 1 El Paso	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mary Helen Berlanga	District 2 Corpus Christi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cynthia Dunbar	District 10 Richmond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Patricia Hardy	District 11 Fort Worth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lawrence Allen	District 4 Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Geraldine Miller	District 12 Dallas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ken Mercer	District 5 San Antonio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mavis B. Knight	District 13 Dallas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Terri Leo	District 6 Spring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gail Lowe	District 14 Lampasas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Craig	District 15 Lubbock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Barbara Cargill	District 8 The Woodlands	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Committee of Investment Advisors to SBOE Members</b>				
Charles Kaffie, Jr.		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carlos Veytia		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
William J. Jackson		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Eric McDonald		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guy Barba		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Osborn		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Peck		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pat Scheuer		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Warren Schott		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Walter Davis		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**DOCUMENT G-2  
CONTINUED**

**CONFLICT OF INTEREST AND CONTACTS Page 2 of 7**

Person	Description	Personal/Social Contact	Business Contact	No Prior Relationship
<b>Investment Counsels, Advisors and Service Providers</b>				
Andrews Kurth, LLP - Bob Griffo	Legal counsel for Bond Guarantee Program - IRS Tax matters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
McCall, Parkhurst & Horton LLP - Dan Culver	Legal counsel for Bond Guarantee Program - Disclosure and SEC Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strasburger & Price LLP - Gary Lawson	Fiduciary Legal Counsel for SBOE and contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strasburger & Price - Gus Fields	Fiduciary Legal Counsel for SBOE and contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Graves, Dougherty , Hearon & Moody PC - Cliff Ernst	Contracting Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Graves, Dougherty , Hearon & Moody PC - Rod Edens	Contracting Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Russell Kuhns	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Becky Gratsinger	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Jim Voytko	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Ashlee Moehring	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd - Michael Humphrey	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd - Steven Novick	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd – Benjamin Blakney	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd – Lourdes Canlas	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Ben Alivio	Custodian, Performance Consultant and Securities Lending Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Catherine Wargo	Custodian	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Tom Heiner	Performance Consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Paul Schmidt	Performance Consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Michael McDermott	Securities Lending Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional Shareholder Services Governance Services	Proxy Processing Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deutsche Bank	Futures Commission Merchant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Merrill, Lynch, Pierce Fenner & Smith	Futures Commission Merchant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**DOCUMENT G-1  
CONTINUED**

**CONFLICT OF INTEREST AND CONTACTS Page 3 of 7**

<b>Person</b>	<b>Description</b>	<b>Personal/Social Contact</b>	<b>Business Contact</b>	<b>No Prior Relationship</b>
Blackstone Alternative Asset Management, LP	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Goldman Sachs Hedge Fund Strategies, LLC	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grosvenor Capital Management, LP	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K2 Advisors, LLC	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mesirow Advanced Strategies, Inc.	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>TPSF Senior Staff and TEA Legal Staff</b>				
B. Holland Timmins	Executive Administrator and Chief Investment Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carlos Veintemillas	Deputy Chief Investment Officer, Director of Fixed Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Catherine A. Civileto	Deputy Executive Administrator	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Karim Hirani	Director of Equities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
James Hubbard	Director of Public Market Alternatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Anderson	TEA General Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joan Allen	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Maska	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jeff Armstrong	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**DOCUMENT G-2  
CONTINUED  
Page 5 of 7**

**RECORD OF ALL CONTACT WITH THE SBOE, TEA STAFF AND PSF CONSULTANTS**

All proposers shall provide a listing of all substantive contacts with the members of the SBOE, the TEA/TPSF Staff and PSF consultants and legal counsel for the six months prior to the posting of this RFP. Please do not report contact with the R.V. Kuhns research division but do report any contact concerning this or any other procurement of the TPSF. Please include all phone conversations or personal meetings held with persons named above.

No, no contact has been made     Yes, contact has been made. Details listed below

Date	Person Contacted	Nature of Contact/Topic

**DOCUMENT G-2**

**CONTINUED**

**Page 6 of 7**

**DISCLOSURE OF CAMPAIGN CONTRIBUTIONS AND GIFTS**

In accordance with Section 4.3 of the State Board of Education Operating Rules, amended February 7, 2007, Disclosure of Campaign Contributions and Gifts. Link: [http://www.tea.state.tx.us/sboe/op\\_rules.html](http://www.tea.state.tx.us/sboe/op_rules.html)

- c. Any person, corporation or other legal entity which proposes to enter into a contract with or applies for a grant, contract, or charter which may be granted by the State Board of Education shall disclose whether, at any time in the preceding four years, the person, corporation, or other legal entity has made a campaign contribution to a candidate for or member of the State Board of Education. Disclosure shall be made in writing to the commissioner of education 14 calendar days prior to consideration by the board or any committee of a contract, grant or charter.

- No, no campaign contributions have been made.
- Yes, campaign contributions have been made. Details listed below:

<b>Person For Whom A Campaign Contribution was Made (Candidate or SBOE Member)</b>	<b>Person, Corporation, or Legal Entity Making the Contribution</b>	<b>Dollar Value of the Contribution</b>	<b>Date</b>

- d. A person, corporation or other legal entity which proposes to enter into a contract with or applies for a grant, contract, or charter which may be granted by the State Board of Education shall disclose in the same manner any benefit conferred on a candidate for or member of the State Board of Education during the preceding four years. A benefit need not be disclosed if the aggregate value of benefits conferred on a member of the State Board of Education during the preceding four years does not exceed \$50. This requirement applies whether or not the person, corporation, or other legal entity is required to report the expenditure to the Texas Ethics Commission.

- No, no benefit has been conferred.
- Yes, benefit has been conferred. Details listed below:

<b>Person For Whom A Benefit was Conferred (Candidate or SBOE Member)</b>	<b>Person, Corporation, or Legal Entity Providing the Benefit</b>	<b>Dollar Value of the Benefit</b>	<b>Date</b>

**DOCUMENT G-2**  
**CONTINUED**  
**Page 7 of 7**  
**AUTHORIZED SIGNATURE**

**ACCESS TO CONFIDENTIAL INFORMATION**

I understand that any unauthorized disclosure of confidential, sensitive and restricted student information is illegal as provided in the Family Educational Rights and Privacy Act of 1974 (FERPA) and in the implementing of federal regulation found in 34 CFR, Part 99.

I also understand that failure to observe these restrictions is prohibited by the Texas Government Code, Section 552.352 and that such an offense constitutes a Class A misdemeanor.

**SIGNATURE ATTESTATION**

I certify that all previous disclosures are accurate and I have read and I understand the above statement as it applies to my response.

\_\_\_\_\_  
Proposer's Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title, (Key Professional Employee)

\_\_\_\_\_  
Date

**DOCUMENT G-3**

**CONFLICT OF INTEREST AND CONTACTS**

Page 1 of 7

**Key Professional Employee Submission**  **Name of Firm:** \_\_\_\_\_

**Key Professional Employee Completing Form:**  
\_\_\_\_\_

Person	Description	Personal/Social Contact	Business Contact	No Prior Relationship
<b>SBOE Members</b>				
Don McLeroy (Chairman)	District 9 College Station	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Bradley (Vice Chair)	District 7 Beaumont	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rick Agosto (Secretary)	District 3 San Antonio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rene Nunez	District 1 El Paso	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mary Helen Berlanga	District 2 Corpus Christi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cynthia Dunbar	District 10 Richmond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Patricia Hardy	District 11 Fort Worth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lawrence Allen	District 4 Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Geraldine Miller	District 12 Dallas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ken Mercer	District 5 San Antonio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mavis B. Knight	District 13 Dallas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Terri Leo	District 6 Spring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gail Lowe	District 14 Lampasas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Craig	District 15 Lubbock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Barbara Cargill	District 8 The Woodlands	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Committee of Investment Advisors to SBOE Members</b>				
Charles Kaffie, Jr.		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carlos Veytia		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
William J. Jackson		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Eric McDonald		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guy Barba		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Osborn		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Peck		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pat Scheuer		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Warren Schott		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Walter Davis		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**DOCUMENT G-3  
CONTINUED**

**CONFLICT OF INTEREST AND CONTACTS Page 2 of 7**

Person	Description	Personal/Social Contact	Business Contact	No Prior Relationship
<b>Investment Counsels, Advisors and Service Providers</b>				
Andrews Kurth, LLP - Bob Griffo	Legal counsel for Bond Guarantee Program - IRS Tax matters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
McCall, Parkhurst & Horton LLP - Dan Culver	Legal counsel for Bond Guarantee Program - Disclosure and SEC Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strasburger & Price LLP - Gary Lawson	Fiduciary Legal Counsel for SBOE and contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strasburger & Price - Gus Fields	Fiduciary Legal Counsel for SBOE and contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Graves, Dougherty , Hearon & Moody PC - Cliff Ernst	Contracting Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Graves, Dougherty , Hearon & Moody PC - Rod Edens	Contracting Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Russell Kuhns	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Becky Gratsinger	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Jim Voytko	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R.V. Kuhns & Associates, Inc. - Ashlee Moehring	Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd - Michael Humphrey	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd - Steven Novick	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd – Benjamin Blakney	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Courtland Partners, Ltd – Lourdes Canlas	Real Estate Investment Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Ben Alivio	Custodian, Performance Consultant and Securities Lending Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Catherine Wargo	Custodian	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Tom Heiner	Performance Consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Paul Schmidt	Performance Consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BNY Mellon - Michael McDermott	Securities Lending Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional Shareholder Services Governance Services	Proxy Processing Agent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deutsche Bank	Futures Commission Merchant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Merrill, Lynch, Pierce Fenner & Smith	Futures Commission Merchant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**DOCUMENT G-1  
CONTINUED**

**CONFLICT OF INTEREST AND CONTACTS Page 3 of 7**

<b>Person</b>	<b>Description</b>	<b>Personal/Social Contact</b>	<b>Business Contact</b>	<b>No Prior Relationship</b>
Blackstone Alternative Asset Management, LP	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Goldman Sachs Hedge Fund Strategies, LLC	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grosvenor Capital Management, LP	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K2 Advisors, LLC	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mesirow Advanced Strategies, Inc.	Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>TPSF Senior Staff and TEA Legal Staff</b>				
B. Holland Timmins	Executive Administrator and Chief Investment Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carlos Veintemillas	Deputy Chief Investment Officer, Director of Fixed Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Catherine A. Civileto	Deputy Executive Administrator	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Karim Hirani	Director of Equities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
James Hubbard	Director of Public Market Alternatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Anderson	TEA General Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joan Allen	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Maska	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jeff Armstrong	TEA Counsel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**DOCUMENT G-3  
CONTINUED  
Page 5 of 7**

**RECORD OF ALL CONTACT WITH THE SBOE, TEA STAFF AND PSF CONSULTANTS**

All proposers shall provide a listing of all substantive contacts with the members of the SBOE, the TEA/TPSF Staff and PSF consultants and legal counsel for the six months prior to the posting of this RFP. Please do not report contact with the R.V. Kuhns research division but do report any contact concerning this or any other procurement of the TPSF. Please include all phone conversations or personal meetings held with persons named above.

No, no contact has been made     Yes, contact has been made. Details listed below:

<b>Date</b>	<b>Person Contacted</b>	<b>Nature of Contact/Topic</b>

**DOCUMENT G-3**

**CONTINUED**

**Page 6 of 7**

**DISCLOSURE OF CAMPAIGN CONTRIBUTIONS AND GIFTS**

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- e. Any person, corporation or other legal entity which proposes to enter into a contract with or applies for a grant, contract, or charter which may be granted by the State Board of Education shall disclose whether, at any time in the preceding four years, the person, corporation, or other legal entity has made a campaign contribution to a candidate for or member of the State Board of Education. Disclosure shall be made in writing to the commissioner of education 14 calendar days prior to consideration by the board or any committee of a contract, grant or charter.

- No, no campaign contributions have been made.
- Yes, campaign contributions have been made. Details listed below:

<b>Person For Whom A Campaign Contribution was Made (Candidate or SBOE Member)</b>	<b>Person, Corporation, or Legal Entity Making the Contribution</b>	<b>Dollar Value of the Contribution</b>	<b>Date</b>

- f. A person, corporation or other legal entity which proposes to enter into a contract with or applies for a grant, contract, or charter which may be granted by the State Board of Education shall disclose in the same manner any benefit conferred on a candidate for or member of the State Board of Education during the preceding four years. A benefit need not be disclosed if the aggregate value of benefits conferred on a member of the State Board of Education during the preceding four years does not exceed \$50. This requirement applies whether or not the person, corporation, or other legal entity is required to report the expenditure to the Texas Ethics Commission.

- No, no benefit has been conferred.
- Yes, benefit has been conferred. Details listed below:

<b>Person For Whom A Benefit was Conferred (Candidate or SBOE Member)</b>	<b>Person, Corporation, or Legal Entity Providing the Benefit</b>	<b>Dollar Value of the Benefit</b>	<b>Date</b>

**DOCUMENT G-3**  
**CONTINUED**  
**Page 7 of 7**  
**AUTHORIZED SIGNATURE**

**ACCESS TO CONFIDENTIAL INFORMATION**

I understand that any unauthorized disclosure of confidential, sensitive and restricted student information is illegal as provided in the Family Educational Rights and Privacy Act of 1974 (FERPA) and in the implementing of federal regulation found in 34 CFR, Part 99.

I also understand that failure to observe these restrictions is prohibited by the Texas Government Code, Section 552.352 and that such an offense constitutes a Class A misdemeanor.

**SIGNATURE ATTESTATION**

I certify that all previous disclosures are accurate and I have read and I understand the above statement as it applies to my response.

\_\_\_\_\_  
Proposer's Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title, (Key Professional Employee)

\_\_\_\_\_  
Date

**DOCUMENT H  
FEE PROPOSAL**

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**Proposer Firm Name**

In accordance with Sections 1.7 and 3.5 of RFP 701-09-003, Proposers **must** submit a fee proposal for services offered as Investment Manager for the Texas Permanent School Fund. The fee proposal should clearly state the fee, identify the services offered, and estimate expenses and costs the TPSF may incur. To submit your fee proposal, return Document H, responding to Questions 1 through 6, and use additional pages if necessary.

A fee proposal **must** reflect the service offered meeting the requirements stated throughout this RFP and fees, expenses, and other considerations should be institutional in composition and amount.

TEA reserves the right to award contracts to more than one firm providing investment management services in order to obtain service that is in the best interest of the TPSF.

**Travel Expenses will not be reimbursed.**

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1. Name and briefly describe the type of service you propose.

i.e. Investment Management Services for separately managed Morgan Stanley Capital International (MSCI) ACWI (All Country World Index) Index ex USA (net dividends) International Index Fund for the Texas Permanent School Fund

2. Describe the fee structure for the proposed service delivery.

3. Fee proposal: \$\_\_\_\_\_ USD, per year.

4. Provide a fee justification, for the above fee proposal. Assume a three (3) year time horizon.

**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**

a. Respondent (Company) Name: \_\_\_\_\_ State of Texas VID #: \_\_\_\_\_

Point of Contact: \_\_\_\_\_ Phone #: \_\_\_\_\_

b. Is your Company a State of Texas certified HUB?  - Yes  - No

c. Solicitation #: \_\_\_\_\_

**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 #: _____
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**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.<sup>1</sup>
- 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/> .<sup>1</sup>
- 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.<sup>1</sup>

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



**DOCUMENT J**  
**EXECUTION OF OFFER, AFFIRMATION OF TERMS AND CONDITIONS, AND PROPOSAL PREFERENCES**

By signing this "Execution of Offer, Affirmation of Terms and Conditions, and Proposal Preferences" instrument, Proposer or Proposer's legally authorized agent affirms that the all statements within the proposal are true and correct. Proposer understands and acknowledges that discovery of any false statement in the proposal is a material breach and shall void the submitted proposal or any resulting contracts and that Proposer shall also be removed from all vendor lists maintained by the state of Texas. By signature hereon affixed, Proposer hereby acknowledges and certifies that Proposer shall be subject to the following specific affirmations, general provisions, and special provisions if the proposal is awarded a contract:

1. Proposer expressly makes the following specific affirmations in response to this RFP:
  - A. Proposer understands that any proposal or bond signed by an agent or attorney-in-fact shall be accompanied by evidence of authority.
  - B. Proposer understands that any proposal may be withdrawn in writing prior to the date and time set for receipt of proposals. Any proposal not so withdrawn shall constitute an irrevocable offer, for a period of 90 days from the RFP closing date, to provide the commodity or service set forth in the attached specifications, or until a selection has been made by the agency.
  - C. Proposer has fully complied with all of the terms and conditions for submission of proposal expressly stated throughout this RFP.
  - D. Proposer has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or services to a public servant in connection with the submitted proposal or bid.
  - E. Neither Proposer or the firm, corporation, partnership, limited liability company, or other business entity represented by Proposer, or anyone acting for such firm, corporation, partnership, limited liability company, or other business entity has violated the antitrust laws of this State or the Federal Antitrust Laws, nor communicated directly or indirectly the proposal or bid made to any competitor or any other person engaged in such line of business.
  - F. Pursuant to Section 2155.004 of the Texas Government Code, Proposer has not received compensation for participation in the preparation of the specifications for this RFP or Invitation for Bid. Proposer certifies that the individual or business entity named in its proposal, bid, or contract is not ineligible to receive the specified contract and acknowledges that any contract awarded from this RFP may be terminated and payment withheld if this certification is inaccurate.
  - G. Proposer certifies compliance with Section 669.003 of the Texas Government Code, relating to contracting with a former executive head of a state agency. If this provision of the Government Code applies, Proposer shall provide the following information in order for the proposal to be evaluated: (a) Name of the former executive, (b) name of the state agency where that executive worked, (c) date of separation from that agency, (d) that former executive's current position with the proposing business entity, and (e) the beginning date of employment with the proposing business entity.
  - H. Pursuant to Section 231.006(c) of the Texas Family Code, the proposal includes the names and social security numbers of each person with at least a 25% ownership of the business entity submitting the proposal or bid. If this information is not included in the proposal, it will be provided prior to execution of any contract resulting from this RFP.
  - I. Pursuant to Section 2252.901 of the Texas Government Code, Proposer certifies that it is not a former employee of TEA or that Proposer has not been an employee of TEA for twelve (12) months prior to the beginning date of any contract awarded from this RFP.

Proposer must make full disclosure of intent to employ any subcontractor 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 Proposer for a subcontract, shall not perform services on a project or fill a position that the former employee/retiree worked on while employed at TEA.

- J. Proposer agrees to purchase and maintain at its expense insurance as required for the work being performed and furnished pursuant to any contract awarded from this RFP. Such insurance will protect TEA from all claims from bodily injury, death, or property damage which may arise out of or result from the performance or furnishing by the Proposer and Proposer's other obligations under the Contract Documents, whether it is performed or furnished by Proposer, any Subcontractor or Supplier, or by anyone directly or indirectly employed by any one of them to perform or furnish any of the Work, or by anyone for whose acts any of them may be liable.
  - i. Specific insurance coverage required by TEA is as follows:
    - Worker's Compensation and Employer's Liability* coverage with limits consistent with statutory benefits outlined in the Texas Worker's Compensation Act (Art. 8308-1.01 et. seq. Tex. Rev. Civ. Stat.) and minimum policy limits for employers Liability of \$500,000.00.
    - Comprehensive General Liability Insurance* with minimum Bodily Injury limits of \$500,000.00 for each occurrence, and Property Damage limits of \$500,000.00 for each occurrence to include Premises-Operations, Broad Form Property Damage, Personal Injury and Contractual Liability Coverage.
  - ii. TEA reserves the right to terminate the Contract or stop the Work in progress for substantial failure to submit the required evidence of insurance or cancellation of an active policy as agreed upon by TEA and Proposer during contract negotiations.
- K. Proposer agrees that all Subcontractors performing work under a contract from this RFP will obtain insurance which will protect TEA and its employees from the risk associated with the work performed under the Agreement. The Proposer will maintain written evidence of such coverage for its Subcontractors. If the Subcontractor fails to demonstrate and/or obtain such insurance or the Subcontractor's insurance expires and is no longer available, the Proposer agrees to indemnify the Subcontractor for Work under this Agreement.
- L. Prior to the award of a contract, TEA may require that the successful proposer file a performance bond in an amount reasonable and necessary to protect the state's interest. The bond must be conditioned on the successful proposer's faithful performance of the terms of the contract.
- M. During negotiations, TEA and the proposer may negotiate a damages clause.
- N. Terms and conditions beyond those stated in this RFP may be grounds for disqualification of a submitted proposal. TEA will have sole discretion to consider for inclusion any terms and conditions not stated in this RFP.
- O. Contractor understands and agrees that no public disclosures or news releases pertaining to any results or findings based on research conducted to fulfill requirements of this RFP shall be made without prior written approval of TEA.
- P. Proposer affirms that they have not been convicted of a Hurricane Katrina related felony.
- Q. Contractor or Contractor's employees, representatives, agents and any subcontractors shall serve as an independent contractor in providing the services under any PO resulting from this RFP. Contractor or Contractor's employees, representatives, agents and any subcontractors shall not be employees of TEA. Should Contractor subcontract any of the services required in this RFP, Contractor expressly understands and acknowledges that in entering into such subcontract(s), TEA is in no manner liable to any subcontractor(s) of Contractor. In no event shall this provision relieve bidder of the responsibility for ensuring that the services rendered under all subcontracts are rendered in compliance with this RFP.
- R. Neither Contractor nor TEA shall be liable to the other for any delay in, or failure of performance, of any requirement included in any PO resulting from this RFP caused by force majeure. The existence of such causes of delay or failure shall extend the period of performance until after the causes of delay or failure have been removed provided the non-performing party exercises all reasonable due diligence to perform. Force majeure is defined as acts of God, war, fires, explosions, hurricanes, floods, failure of transportation, or other causes that are beyond the reasonable control of either party and that by exercise of due foresight such party could not reasonably have been expected to avoid, and which, by the exercise of all reasonable due diligence, such party is unable to overcome. Each party must inform the other in writing, with proof of receipt, within three (3) business days of the existence of such force majeure, or otherwise waive this right as a defense.

- S. Contractor represents and warrants that it has not been the subject of allegations of Deceptive Trade Practices violations under Tex. Bus. & Com. Code, Chapter 17, or allegations of any unfair business practice in any administrative hearing or court suit and that Contractor has not been found to be liable for such practices in such proceedings. Contractor certifies that it has no officers who have served as officers of other entities who have been the subject allegations of Deceptive Trade Practices violations or allegations of any unfair business practices in an administrative hearing or court suit and that such officers have not been found to be liable for such practices in such proceedings.
- T. Contractor represents and warrants that it shall not discriminate against any person on the basis of race, color, national origin, creed, religion, political belief, sex, sexual orientation, age, and disability in the performance of this Contract.
- U. 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.
- V. In the event that any provision of this Contract is later determined to be invalid, void, or unenforceable, then the remaining terms, provisions, covenants, and conditions of this Contract shall remain in full force and effect, and shall in no way be affected, impaired, or invalidated.
- W. Contractor represents and warrants that Contractor has not and Contractor's employees have not been convicted of a felony criminal offense, or that, if such a conviction has occurred, Contractor has fully advised TEA as to the facts and circumstances surrounding the conviction.
- X. In accordance with Government Code, Section 2155.4441, the State of Texas requires that during the performance of a contract for services, Contractor shall purchase products and materials produced in the State of Texas when available at a price and time comparable to products and materials produced outside the state.
- Y. In accordance with Texas Government Code, §2155.074 and 2155.75, vendor performance may be used as a factor in award of a Contract.
- Z. Any individual who interacts with public purchasers in any capacity is required to adhere to the guidelines established in the TAC, Rule 111.4. The Rule outlines the ethical standards required of public purchasers, agency employees, and vendors who interact with public purchasers in the conduct of state business.  
Specifically, a TEA employee may not have an interest in, or in any manner be connected with a contract or bid for a purchase of goods or services by an agency of the state; or in any manner, including by rebate or gift, accept or receive from a person to whom a contract may be awarded, directly or indirectly, anything of value or a promise, obligation, or contract for future reward or compensation. Entities who are interested in seeking business opportunities with the state must be mindful of these restrictions when interacting with public purchasers of TEA or purchasers of other state agencies.
2. Proposer has read, understands, and agrees to be bound to the terms and conditions stated in the TEA's "General Provisions" if a contract is awarded to Proposer pursuant to this RFP. The following General Provisions which will be included in the contractual terms for any contract awarded under this RFP are included in this instrument and are stated as follows:
- 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;

- *Works* means all tangible or intangible material, products, ideas, documents or works of authorship prepared or created by Contractor for or on behalf of TEA at any time after the beginning date of the Contract (“Works” includes but is not limited to computer software, data, information, images, illustrations, designs, graphics, drawings, educational materials, assessment forms, testing materials, logos, trademarks, patentable materials, etc.); and,
  - *Intellectual Property Rights* means the worldwide intangible legal rights or interests evidenced by or embodied in: (a) any idea, design, concept, method, process, technique, apparatus, invention, discovery, or improvement, including any patents, trade secrets, and know-how; (b) any work of authorship, including any copyrights, moral rights or neighboring rights; (c) any trademark, service mark, trade dress, trade name, or other indicia of source or origin; (d) domain name registrations; and (e) any other similar rights. The Intellectual Property Rights of a party include all worldwide intangible legal rights or interests that the party may have acquired by assignment or license with the right to grant sublicenses.
- 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:**  
For local educational agencies (LEAs), regional education service centers (ESCs), institutions of higher education (IHEs), and state agencies: Contractor, to the extent permitted by law, 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.  
For all other contractors, subcontractors, including nonprofit organizations and for-profit businesses: 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. 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. The TEA Contract Manager must pre-approve any changes in key personnel throughout the contract term. Any changes to the HUB Subcontracting Plan (HSP) must be approved by the Agency HUB Coordinator before staffing changes are initiated.
- E. 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.
- F. 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.
- G. 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.
- H. Records Retention:** Contractor shall maintain its records and accounts in a manner which shall assure a full accounting for all funds received and expended by Contractor in connection with the Contract Project. These records and accounts shall be retained by Contractor and 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 years from the date of completion of the Contract Project or the date of the receipt by TEA of Contractor’s final claim for payment or final expenditure report in connection with this Contract, whichever is later. If an audit has been announced, the records shall be retained until such audit has been completed.

Contractor understands that acceptance of funds under this contract acts as acceptance of the authority of the State Auditor's office, or any successor agency, to conduct an audit or investigation in connection with those funds. Contractor further agrees to cooperate fully with the State Auditor's Office or its successor in the conduct of the audit or investigation, including providing all records requested. Contractor will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through Contractor and the requirements to cooperate is included in any subcontract it awards.

- I. **Intellectual Property Ownership:** Contractor agrees that all Works are, upon creation, works made for hire and the sole property of TEA. If the Works are, under applicable law, not considered works made for hire, Contractor hereby assigns to TEA all worldwide ownership of all rights, including the Intellectual Property Rights, in the Works, without the necessity of any further consideration, and TEA can obtain and hold in its own name all such rights to the Works. Contractor agrees to maintain written agreements with all officers, directors, employees, agents, representatives and subcontractors engaged by Contractor for the Contract Project, granting Contractor rights sufficient to support the performance and grant of rights to TEA by Contractor. Copies of such agreements shall be provided to TEA promptly upon request.

Contractor warrants that (i) it has the authority to grant the rights herein granted, (ii) it has not assigned or transferred any right, title, or interest to the Works or Intellectual Property Rights that would conflict with its obligations under the Contract, and Contractor will not enter into any such agreements, and (iii) the Works will be original and will not infringe any intellectual property rights of any other person or entity. These warranties will survive the termination of the Contract. If any preexisting rights are embodied in the Works, Contractor grants to TEA the irrevocable, perpetual, non-exclusive, worldwide, royalty-free right and license to (i) use, execute, reproduce, display, perform, distribute copies of, and prepare derivative works based upon such preexisting rights and any derivative works thereof and (ii) authorize others to do any or all of the foregoing. Contractor agrees to notify TEA on delivery of the Works if they include any such preexisting rights. On request, Contractor will provide TEA with documentation indicating a third party's written approval for Contractor to use any preexisting rights that may be embodied or reflected in the Works.

**For School Districts and Nonprofit Organizations:** The foregoing Intellectual Property Ownership provisions apply to any school districts, nonprofit organizations, and their employees, agents, representatives, consultants and subcontractors.

**For Education Service Centers (ESCs):** The foregoing Intellectual Property Ownership provisions apply to an Education Service Center (ESC) and its employees, agents, representatives, consultants, and subcontractors. If an ESC or any of its subcontractor(s) wish to obtain a license agreement to use, advertise, offer for sale, sell, distribute, publicly display, publicly perform or reproduce the Works, or make derivative works from the Works, then express written permission must first be obtained from TEA Legal Division.

**For Colleges and Universities:** The foregoing Intellectual Property Ownership provisions apply to any colleges and universities and their employees, agents, representatives, consultants, and subcontractors; provided, that for all Works created or conceived by colleges or universities under the Contract, they are granted a non-exclusive, non-transferable, royalty-free license to use the Works for their own academic and educational purposes only. Colleges and universities are prohibited, however, from advertising, offering for sale, selling, distributing, publicly displaying, publicly performing, or reproducing the Works, or making derivative works from the Works that are created or conceived under this Contract, without the express written permission of TEA Legal Division.

- J. **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.
- K. **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.
- L. **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.

- M. **Capital Outlay:** If Contractor purchases capital outlay (furniture and/or equipment) to accomplish the Contract Project, title will remain with Contractor for the period of the Contract. TEA reserves the right to transfer capital outlay items for Contract noncompliance during the Contract period or as needed after the ending date of the Contract. This provision applies to any and all furniture and/or equipment regardless of unit price and how the item is classified in Contractor's accounting record. This provision is applicable when federal funds are utilized for the Contract.
- N. **TEA Property (terms):** In the event of loss, damage or destruction of any property owned by or loaned by TEA while in the custody or control of Contractor, Contractor shall indemnify TEA and pay to TEA the full value of or the full cost of repair or replacement of such property, whichever is the greater, within 30 days of Contractor's receipt of written notice of TEA's determination of the amount due. This applies whether the property is developed or purchased by Contractor pursuant to this Contract or is provided by TEA to Contractor for use in the Contract Project. 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 or counterclaim against any money otherwise due to Contractor by TEA.
- O. **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 constitutes the entire agreement between TEA and Contractor for the accomplishment of 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.
- P. **Federal Regulations Applicable to All Federally Funded Contracts:**
  1. For Local Education Agencies (LEAs): 28 CFR 35 Subparts A-E, 28 CFR 36 Subparts C & D, Appendix A, 29 CFR 1630, 34 CFR 75 or 76 as applicable, 77, 79, 80, 81, 82, 85, 99, 104, 47 CFR 0 and 64, and OMB Circulars A-87 (Cost Principles) and A-133 (Audits);
  2. For Education Service Centers (ESCs): 28 CFR 35 Subparts A-E, 28 CFR 36 Subparts C & D, Appendix A, 29 CFR 1630, 34 CFR 75 or 76 as applicable, 77, 79, 80, 81, 82, 85, 99, 104, 47 CFR 0 and 64, and OMB Circulars A-87 (Cost Principles) and A-133 (Audits);
  3. For Institutions of Higher Education (IHEs): 28 CFR 35 Subparts A-E, 28 CFR 36 Subparts C & D, Appendix A, 29 CFR 1630, 34 CFR 74, 77, 79, 81, 82, 85, 99, 104, OMB Circular A-21 (Cost Principles), 47 CFR 0 and 64, OMB Circular A-133 (Audits), and OMB Circular A-110 (Uniform Administrative Requirements);
  4. For Nonprofit Organizations: 28 CFR 35 Subparts A-E, 28 CFR 36 Subparts C & D, Appendix A, 29 CFR 1630, 34 CFR 74, 77, 79, 81, 82, 85, 99, 104, 47 CFR 0 and 64, OMB Circulars A-122 (Cost Principles) and A-133 (Audits), and OMB Circular A-110 (Uniform Administrative Requirements);
  5. For State Agencies: 28 CFR 35 Subparts A-E, 28 CFR 36 Subparts C & D, Appendix A, 29 CFR 1630, 34 CFR 76, 80, 81, 82, 85, 99, 104, 47 CFR 0 and 64, OMB Circulars A-87 (Cost Principles) and A-133 (Audits), and OMB Circular A-110 (Uniform Administrative Requirements); and
  6. For Commercial (for-profit) Organizations: 29 CFR 1630 and 48 CFR Part 31.
- 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 Timmons  
 Permanent School Fund  
 Texas Education Agency  
 William B. Travis Building  
 1701 N. Congress Avenue  
 Austin, Texas 78701

**CONTRACTOR**  
 (Name)  
 (Organization Name)  
 (Address)  
 (City, State, Zip)  
 (Phone)  
 (Fax)

- R. All notices, reports and correspondence required by this Contract shall be in writing and delivered to the TEA project manager. TEA will designate the chain of command should the need arise to escalate decisions or concerns regarding the subsequent contract.
- S. **Time and Effort Recordkeeping:** Not Applicable to this Contract.
- T. **Federal Rules, Laws, and Regulations That Apply to all Federal Programs:** Contractor shall be subject to and shall abide by all federal laws, rules, and regulations, pertaining to the Contract Project, including, but not limited to:
1. Americans With Disabilities Act, P.L. 101-336, 42 U.S.C. sec. 12101, and the regulations effectuating its provisions contained in 28 CFR Parts 35 and 36, 29 CFR Part 1630, and 47 CFR Parts 0 and 64;
  2. Title VI of the Civil Rights Act of 1964, as amended (prohibition of discrimination by race, color, or national origin), and the regulations effectuating its provisions contained in 34 CFR Part 100;
  3. Title IX of the Education Amendments of 1972, as amended (prohibition of sex discrimination in educational institutions) and the regulations effectuating its provisions contained in 34 CFR Part 106, if Contractor is an educational institution;
  4. Section 504 of the Rehabilitation Act of 1973, as amended (nondiscrimination on the basis of handicapping condition), and the regulations effectuating its provisions contained in 34 CFR Parts 104 and 105.
  5. The Age Discrimination Act of 1975, as amended (prohibition of discrimination on basis of age), and the implementing regulations contained in 34 CFR, Part 110;
  6. Family Educational Rights and Privacy Act of 1975, as amended, and the implementing regulations contained in 34 CFR, Part 99, if Contractor is an educational institution;
  7. Section 509 of H.R. 5233 as incorporated by reference in P.L. 99-500 and P.L. 99-591 (prohibition against the use of federal grant funds to influence legislation pending before Congress);
  8. P.L. 103-227, Title X, Miscellaneous Provisions of the GOALS 2000: Educate America Act; P.L. 103-382, Title XIV, General Provisions of the Elementary and Secondary Education Act, as amended; and
  9. General Education Provisions Act, as amended.
- U. **Forms, Assurances, and Reports:** Contractor shall timely make and file with the proper authorities all forms, assurances and reports required by federal laws and regulations. TEA shall be responsible for reporting to the proper authorities any failure by Contractor to comply with the foregoing laws and regulations coming to TEA's attention, and may deny payment or recover payments made by TEA to Contractor in the event of Contractor's failure so to comply. 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. This provision does not apply if the warrant or transfer results in payments being made in whole or in part with money paid to the state by the Federal Government.
- V. **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.
- W. **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.
- W. **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.

- Y. **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.
- Z. **Interpretation:** In the case of conflicts arising in the interpretation of wording and/or meaning of various sections, parts, Appendices, General Provisions, , Exhibits, and Attachments or other documents, the TEA Contract and its General Provisions, Appendices and Special Provisions shall take precedence over all other documents which are a part of this contract.
- AA. **Education Service Center:** No funds transferred to Regional Education Service Centers or to school districts may be used to hire a registered lobbyist.
- BB. **Web Accessibility Policy:** State law requires State Agencies and institutions of higher education to provide persons and employees with disabilities access comparable to access and use provided to the public and State employees without disabilities for the following: telephones and other telecommunications products, information kiosks, transaction machines, internet websites, and multimedia resources. TEA adheres to the standards set forth in TAC §206 State Web Sites, TAC §213 Electronic and Information Resources, and the Federal 508 requirements which may be viewed at <http://www.governor.state.tx.us/disabilities/resources/keylaws/access>). This policy is applicable to all TEA contractors who develop or provide any of the services or products listed above as a result of a TEA contract award or approved vendor list. All documents created or developed under this Contract must also be compliant with all state and federal regulations for web accessibility (i.e., Americans with Disabilities Act (ADA) compliance, [http://www.dir.state.tx.us/general\\_info/accessibility.htm](http://www.dir.state.tx.us/general_info/accessibility.htm)).

The Texas Government Code, Family Code and Texas Administrative Code sites referenced in this document may be viewed at:

<http://www.government.texasonline.state.tx.us/category.jsp?categoryId=6.7>

3. Proposer has read, understands, and agrees to be bound to the terms and conditions stated in the following "Special Provisions – A" if a contract is awarded to Proposer pursuant to this RFP. The following "Special Provisions – A" which will be included in the contractual terms for any contract awarded under this RFP are included in sample format as follows:

- A. The definitions of terms in the General Provisions shall apply to these Special Provisions - A.
- B. Contractor shall provide to Agency, Contractor's nine (9) digit Federal Employer's Identification Number (FEI#) or Contractor's fourteen (14) digit State of Texas Payee Identification Number (TIN).

Contractor's FEI# \_\_\_\_\_

Contractor's TIN \_\_\_\_\_

- 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 the agency 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.

The undersigned is an authorized official for the Proposer and certifies that the proposal submitted with this "Execution of Offer, Affirmation of Terms and Conditions, and Proposal Preferences" instrument is in full compliance with the provisions expressly stated above. I further certify that the proposal submitted with this instrument is allowed to claim any of the Chapter 2155 Texas Government Code preferences checked below:

The proposer, if selected as the contractor, will be required to purchase products and materials produced in this state when they are available at a price and time comparable to products and materials produced outside of Texas (TX Govt. Code § 2155.4441).

Check below if claiming a preference included in Chapter 2155 of the Texas Government Code and in Rule 1 TAC 113.8.

<input type="checkbox"/>	§ 2155.441	Products of persons with mental or physical disabilities
<input type="checkbox"/>	HB 3560	Goods produced or offered by service-disabled veterans.
<input type="checkbox"/>	§ 2155.442	Energy efficient products
<input type="checkbox"/>	HB 3560	Preference to manufacture that has recycle program for computer equipment.
<input type="checkbox"/>	§ 2155.443	Rubberized asphalt paving material
<input type="checkbox"/>	§ 2155.444	Texas produced supplies, materials, or equipment; or USA supplies, materials, or equipment over foreign products
<input type="checkbox"/>	Rule 1 TAC 113.8 (b)(2D)	Services offered by a Texas bidder
<input type="checkbox"/>	§ 2155.444	Texas agriculture products
<input type="checkbox"/>	HB 3560	Preference to contractors providing foods of higher nutritional value.
<input type="checkbox"/>	§ 2155.445	Recycled, remanufactured, or environmentally sensitive products made of recycled materials
<input type="checkbox"/>	§ 2155.446	Paper containing recycled fibers
<input type="checkbox"/>	§ 2155.447	Recycled motor oil and lubricants
<input type="checkbox"/>	§ 2155.449	Products produced in facilities on rehabilitated property as certified by section 361.609 of the Texas Health and Safety Code
<input type="checkbox"/>	§ 2155.449	Products and services from economically depressed or blighted areas
<input type="checkbox"/>	§2155.444	Texas and US products and Texas Services
<input type="checkbox"/>	§ 2155.449	Products and services from Historically Underutilized Business or small business pursuant to the goals and objectives stated in chapter 2161 of the Texas Government Code

In compliance with this RFP, and subject to all the conditions herein, the undersigned offers and agrees to furnish any or all commodities or services at the prices quoted in the proposal or bid. By signing this proposal, the proposer signifies that if a Texas address is shown as the address of the proposer, the proposer qualifies as a Texas Resident Bidder as defined in Rule 1 TAC 111.2.

<b>PROPOSER/COMPANY NAME:</b>
<b>STREET ADDRESS:</b>
<b>CITY/STATE/ZIP:</b>
<b>TELEPHONE NO.:</b>
<b>FACSIMILE NO.:</b>
<b>EMAIL ADDRESS:</b>
<b>NAME OF PROPOSER'S AUTHORIZED AGENT:</b>
<b>TITLE OF PROPOSER'S AUTHORIZED AGENT:</b>
<b>SIGNATURE OF AUTHORIZED AGENT:</b>