

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

June 28, 2011

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B6200315
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110 vjdebaggis@statestreet.com	TELEPHONE (617) 664-9574 Vincent DeBaggis
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Karen Stout Custody and Performance Measurement Services-Treasury	
CONTRACT PERIOD: From: June 1, 2006 To: June 30, 2013	
TERMS Net 30	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE(S):

Effective immediately the Contract Compliance Inspector is changed to:

Karen Stout, kms@michigan.gov, Phone: 517-335-1012.

All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON

Per agency and DTMB Purchasing Operations agreement.

TOTAL REVISED ESTIMATED CONTRACT VALUE REMAINS: \$7,378,000.00

**Contract 071B6200315
Change Notice No. 3
Signature Block**

FOR THE VENDOR:

State Street Bank and Trust Company

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature

Kevin Dunn, Acting Division Director

Name

**Professional Services, Purchasing
Operations**

Title

Date

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

July 3, 2008

CHANGE NOTICE No. 2
TO
CONTRACT NO. 071B6200315
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110 vjdebaggis@statestreet.com	TELEPHONE (617) 664-9574 Vincent DeBaggis
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Vernon Johnson Custody and Performance Measurement Services-Treasury	
CONTRACT PERIOD: From: June 1, 2006 To: June 30, 2011	
TERMS Net 30	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE(S):

Effective immediately, the DMB Buyer for this Contract is changed to Jim Wilson (517) 241-1916. All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON

Per agency and DMB Purchasing Operations agreement.

Estimated Contract Value Remains: **\$4,500,000.00**

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
 OR
530 W. ALLEGAN, LANSING, MI 48933

October 20, 2006

CHANGE NOTICE No. 1 (REVISED)
TO
CONTRACT NO. 071B6200315
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110 vjdebaggis@statestreet.com	TELEPHONE (617) 664-9574 Vincent DeBaggis
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1647 Irene Pena
Contract Compliance Inspector: Vernon Johnson Custody and Performance Measurement Services-Treasury	
CONTRACT PERIOD: From: June 1, 2006 To: June 30, 2011	
TERMS <p style="text-align: center;">Net 30</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE(S):

Please see the attached Lending Operations Addendum to be added to the custodian contract. All other terms and conditions and pricing remain the same. **REVISED** – Amend the start date on Appendix E/pg. 63 of the Contract from March 1, 2006 to June 1, 2006.

AUTHORITY/REASON

Per agency and DMB Purchasing Operations agreement.

Estimated Contract Value Remains: **\$4,500,000.00**

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

October 5, 2006

CHANGE NOTICE No. 1
TO
CONTRACT NO. 071B6200315
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110 vjdebaggis@statestreet.com	TELEPHONE (617) 664-9574 Vincent DeBaggis
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1647 Irene Pena
Contract Compliance Inspector: Vernon Johnson Custody and Performance Measurement Services-Treasury	
CONTRACT PERIOD: From: June 1, 2006 To: June 30, 2011	
TERMS Net 30	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE(S):

Please see the attached Lending Operations Addendum to be added to the custodian contract. All other terms and conditions and pricing remain the same.

AUTHORITY/REASON

Per agency and DMB Purchasing Operations agreement.

Estimated Contract Value Remains: **\$4,500,000.00**

LENDING OPERATIONS ADDENDUM TO THE CUSTODIAN CONTRACT

THIS LENDING OPERATIONS AGREEMENT ("Agreement") is made and entered into as of June 26, 2006 between State of Michigan (the "Lender"), Credit Suisse New York Branch ("Lender's Agent"), and State Street Bank and Trust Company ("Custodian").

WHEREAS, Lender, pursuant to an agreement between itself and Lender's Agent dated as of June 1, 2006 (hereinafter called the "Lending Contract") has appointed Lender's Agent to perform certain services and to enter into on Lender's behalf certain securities loan agreements with certain authorized borrowers (hereinafter, "Borrowers") for the purpose of lending certain of Lender's securities to such Borrowers ("Securities Lending Transactions");

WHEREAS, Lender has appointed Custodian as custodian pursuant to a custodian contract dated June 1, 2006 (hereinafter called the "Custodian Contract");

WHEREAS, Lender has designated to the Custodian and Lender's Agent as available to lend (hereinafter "Securities Lending Transactions") to an authorized borrower (hereinafter "Borrower") certain securities held by the Custodian pursuant to the Custodian Contract as contemplated by the Lending Contract; and

WHEREAS, pursuant to the terms and conditions set forth herein, and the operating procedures set forth in the State Street Third Party Lending Operation Procedures For Credit Suisse New York Branch and State of Michigan Department of Treasury as from time to time in effect (the "Procedures"), Lender, Lender's Agent and Custodian desire to establish standards for certain operations in support of such Securities Lending Transactions separate and distinct from the responsibilities of the Custodian under the Custodian Contract.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Availability of Assets. Lender will designate by written notice to Custodian portfolios from which securities currently held by Custodian and securities acquired subsequent to the date of this Agreement are available for lending pursuant to the terms of this Agreement. Such securities will be deemed "Available Securities" for purposes of this Agreement. Available Securities shall be held in the account or accounts established by the Custodian pursuant to the Custodian Contract, hereinafter, the "Available Securities Account". Available Securities shall be held and dealt with as provided hereafter in this Agreement.
2. Lendable Positions. Custodian will inform Lender's Agent daily by file transmission, as more particularly described in the Procedures, which Available Securities are available for lending at the time of file transmission. Such securities will be deemed "Lendable Positions" for purposes of this Agreement. Lender and Lender's Agent acknowledge that Lender instructions to Custodian subsequent to the time of file transmission may remove certain Lendable Positions from being available for lending.

3. Loan Transactions.

a. Transfer Instructions. Lender's Agent will inform Custodian daily, as detailed in the Procedures, which Lendable Positions are to be delivered [in bulk to Lender's Agent/to Borrower] with details sufficient for free delivery into [Lender's Agent's/Borrower's] designated account. Custodian shall not be responsible for any delivery fails to [Lender's Agent/Borrowers] because: (a) Custodian was provided incomplete information, (b) the Custodian did not have custody of the Lendable Position as identified in the instruction at the time of such instruction or (c) the Custodian received the instruction after the deadline detailed in the Procedures. Instructions received after deadline will be considered instructions for next business day[; however, Custodian shall use reasonable commercial efforts to execute such instruction on the date of receipt] as detailed in the Procedures. Lender acknowledges that Lender's Agent will instruct Custodian that all deliveries are to be made in accordance with the rules of the relevant Securities System.

b. Collateral. Custodian shall be responsible for the safe custody of collateral received by Custodian, its agents or its subcustodians from the Lending Agent; provided, however, that Custodian shall not be responsible for any such collateral not so delivered to Custodian, its agents or its subcustodians, and that in the absence of such delivery the Lending Agent shall be responsible for such collateral. Lender's Agent agrees that it shall not instruct Custodian to deliver to a Borrower a Lendable Position before the receipt by Custodian of the collateral with respect to such Lendable Position. Lending Agent further agrees that it shall not instruct Custodian to return collateral to a Borrower before the return of the associated Lendable Position. In the event Lender's Agent instructs Custodian to deliver to Borrower a Lendable Position before the receipt by Custodian of the collateral with respect to such Lendable Position or in the event that Lender's Agent instructs Custodian to deliver collateral to Borrower before the return to Custodian of the associated Lendable Position, then Lender and Custodian shall be held harmless by the Lender's Agent for any and all resulting losses.

c. Reconciliations. Reconciliations shall be the responsibility Lender's Agent and will be performed as detailed in the Procedures. Lender and Lender's Agent shall be responsible for the sufficiency of collateral with respect to securities on loan and for marking to market of such securities and collateral as detailed in the Procedures.

4. Loan Returns. Lender shall be responsible to ensure that Lender's Agent receives notice on trade date from Lender's investment advisor or manager of the sale of any security available for loan. Lender agrees not to effect any sell transactions for same-day settlement. [Custodian will use reasonable commercial efforts to provide Lender's Agent with a copy of any sell instructions received with respect to a loaned security.] Lender's Agent shall be responsible for ensuring that the securities are returned to the Custodian, in due time for proper settlement of sale transaction, as detailed in the Procedures. Lender's Agent shall have the obligation to instruct Custodian to receive via free delivery any security returned by a Borrower, which security must be returned at the same location from which it was borrowed. Borrower must return the exact security borrowed, whether domestic or foreign. Custodian shall have no responsibility for the consequences of a failure to comply with this provision.

5. Corporate Actions.

a. Processing. The Custodian is only able to process corporate actions for securities in its custody, as distinguished from securities on loan. The rights and responsibilities of the parties with respect to Corporate Actions on securities available for lending, shall be as set forth in the Procedures. Lender acknowledges that Custodian has no duty or obligation to vote proxies on loaned securities. If re-registration of any loaned security is required after its return, Custodian shall be held harmless by Lender if the security is out for registration at the time a trade or other instruction is given to Custodian. [Custodian agrees to use reasonable commercial efforts to exercise corporate actions for shares returned after the applicable deadline detailed in the Procedures; however, Custodian shall have no responsibility for the effective exercise of any such action.] Lender's Agent shall deliver sufficient payment to Custodian for participation in a corporate action on payable date with respect to securities on loan, or Lender's Agent promptly following notice shall pay Custodian its standard late charges for such payment as is not so delivered.

b. Corporate Action Notices. Custodian shall have no obligation as to forwarding of corporate action information to Lender's Agent with regard to securities loaned unless such securities have been returned to Custodian's registered possession in sufficient time for it to be notified as the registered owner.

6. Income Collection. Custodian shall credit any income instructed and received from Lender's Agent (as cash in lieu or other payment) upon actual receipt. Lender's Agent shall have the obligation to collect income on securities loaned. Lender's Agent shall be required to deliver income payments to Custodian pursuant to the Procedures but the parties acknowledge that certain securities lending associated payments may require Lender's Agent to withhold tax as is appropriate in accordance with applicable law. Lender and Lender's Agent also acknowledge that any payments or distributions from any Borrower are in substitution for the interest or dividend accrued or paid in respect of loaned securities and that the tax treatment of such payment may differ from the tax treatment of such interest or dividend paid to Lender.

7. Responsibility of Custodian to Lender. Custodian shall have no liability to Lender for any loss, liability claim or expense, for a failure to fulfill Custodian's obligation under the Custodian Contract that results from the circumstances contemplated by or instructions given pursuant to Lender's securities lending activities pursuant to this Agreement and the terms of this Lending Operations Agreement, except to the extent that Custodian's negligence or willful misconduct in the performance of its duties under this Agreement is the cause of any loss, liability, claim or expense. Custodian will not be responsible for any cost associated with a failed sale that is due to the lending program between Lender and Lender's Agent, including buy-in costs. If Custodian settles a trade to cover a loan return fail, Lender shall make Custodian whole for such transaction. Debit interest charges for an overdraft of Lender's account(s) attributable to the lending program will be assessed by the Custodian to the Lender's account(s) unless the transaction that gave rise to such charge resulted from the negligence of Custodian with respect to its duties under this Agreement.

8. Governing Law; Compliance with Local Law. This Agreement shall be construed in accordance with the laws of the Commonwealth of Massachusetts to the extent not pre-empted by federal law. Lender's Agent agrees that it shall be responsible for Lender's securities lending compliance with local law in the jurisdiction applicable to a Borrower, and that Lender's Agent will not enter into such a loan that would be prohibited by such local law.

9. Resignation. Any Party to this Agreement may resign upon written notice to the other Parties, such notice being consistent with the terms of their respective contracts, in the case of Custodian, contract 071B6200315, and in the case of Lender and Lender's Agent, contract 071B6200312. In the event Custodian resigns, it shall not be obligated to perform services after the date of such resignation except to receive in any Loaned Securities and/or delivery promptly any collateral as instructed in writing by the Lender.

10. Instructions.

(a) Procedures. Pursuant to the Lending Contract, Lender has authorized Lender's Agent to give instructions on Lender's behalf with respect to the lending of securities and custody and investment of collateral received in respect thereof. The parties hereto agree that the Custodian's duties as agent for delivery and receipt of loaned securities and related collateral in connection with a Securities Lending Transaction are to be effected in accordance with Proper Instructions, which may be standing instructions as follows:

- (1) In the event that delivery and receipt to and from Borrower and Lender is to be made through any Securities System (the Federal Reserve book-entry system, a clearing agency which acts as a securities depository or another book-entry system for the central handling of securities, collectively referred to herein as "Securities System"), the Custodian shall process the Securities Lending Transaction as a loan or if such designation is not available, as a sale in accordance with the rules of such system, with the securities to be delivered to or from the account of Borrower or Borrower's agent in such Securities System and delivered out of or received into the account of the Custodian, or its agent, held on behalf of the Custodian's clients.
- (2) In the event that delivery and receipt to and from Borrower and Lender is to be made other than through a Securities System, the Custodian shall make delivery in accordance with Proper Instructions issued by Lender's Agent.

(b) Instructions, Authorities and Security-Related Matters. The following provisions, as further detailed in the Procedures, shall relate to all matters contemplated in this Agreement unless otherwise specifically limited herein:

- (1) Proper Instructions. The term "Proper Instructions" shall mean instructions received by the Custodian from Lender's Agent, as lending agent for Lender. Such instructions may be in writing signed by an authorized person or may be in a communication effected electronically with a security procedure or by such other means as may be agreed to from time to time by the Custodian and the party giving such instructions (including, without limitation, oral instructions). Lender's Agent shall cause its duly authorized officer to certify to the Custodian in writing the names and specimen signatures of persons authorized to give Proper Instructions. The Custodian shall be entitled to rely upon the

identity and authority of such persons until it receives written notice from Lender's Agent to the contrary.

- (2) Evidence of Authority. The Custodian shall be protected in acting upon any instruction, notice, request, consent, certificate or other instrument or paper reasonably believed by it to be genuine and to have been properly executed or otherwise given by or on behalf of Lender's Agent. The Custodian may receive and accept a certificate from Lender's Agent as conclusive evidence (i) of the authority of any person to act in accordance with such certificate or (ii) of any determination or of any action by Lender's Agent as described in such certificate, and such certificate may be considered in full force and effect until receipt by the Custodian of written notice to the contrary.
- (3) Security Codes. If the Custodian has issued to Lender's Agent security codes or passwords in order that the Custodian may verify that certain transmissions of information, including Proper Instructions, have been originated by Lender's Agent, the Custodian shall be kept indemnified by and be without liability to Lender's Agent for any action taken or omitted by it in reliance upon receipt by the Custodian of transmissions of information with the proper security code or password, including instructions purporting to be Proper Instructions, which the Custodian reasonably believes to be from Lender's Agent.
- (4) Lender's Agent Acknowledgment. Lender's Agent hereby acknowledges that certain data and information (not developed by Custodian and not known by Custodian to be inaccurate) it will be accessing electronically from Custodian may be unaudited and may not be accurate due to inaccurate pricing of securities and other causes for which Custodian will not be liable to Lender's Agent.

(c) Responsibility of Custodian. The Custodian shall not be responsible for the title, validity or genuineness, including good deliverable form, of any property or evidence of title thereto received by it or delivered by it from or to Lender's Agent or Borrower pursuant to this Contract and shall be held harmless by Lender's Agent in acting upon any notice, request, consent, certificate or instrument reasonably believed by it to be genuine and to be signed or otherwise given by the proper party or parties. The Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, but shall be kept indemnified by and shall be without liability to Lender's Agent for any action taken or omitted by it in good faith and without negligence. The Custodian shall be under no duty with respect to Lender's Agent's performance of the services under the Lending Contract. The Custodian shall be entitled to rely on and may act upon advice of counsel (who may be counsel for Lender's Agent) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice. The Custodian shall be kept indemnified by and shall be without liability to Lender's Agent for assessed taxes, interest, charges, expenses, assessments, or other liabilities, with respect to securities that have been loaned from the Available Securities Account or for collateral received in connection therewith, in connection with the performance of this Contract, except such as may arise from the Custodian's own negligent action, or negligent omission.

(d) Tax Law. The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on Lender's Agent, the Available Securities Account or the Custodian as custodian of the Available Securities Account by the tax law of the United States of America or any state or political subdivision thereof in connection with Securities Lending Transactions entered into pursuant to the Lending Contract. It shall be responsibility of Lender's Agent to

identity and authority of such persons until it receives written notice from Lender's Agent to the contrary.

- (2) Evidence of Authority. The Custodian shall be protected in acting upon any instruction, notice, request, consent, certificate or other instrument or paper reasonably believed by it to be genuine and to have been properly executed or otherwise given by or on behalf of Lender's Agent. The Custodian may receive and accept a certificate from Lender's Agent as conclusive evidence (i) of the authority of any person to act in accordance with such certificate or (ii) of any determination or of any action by Lender's Agent as described in such certificate, and such certificate may be considered in full force and effect until receipt by the Custodian of written notice to the contrary.
- (3) Security Codes. If the Custodian has issued to Lender's Agent security codes or passwords in order that the Custodian may verify that certain transmissions of information, including Proper Instructions, have been originated by Lender's Agent, the Custodian shall be kept indemnified by and be without liability to Lender's Agent for any action taken or omitted by it in reliance upon receipt by the Custodian of transmissions of information with the proper security code or password, including instructions purporting to be Proper Instructions, which the Custodian reasonably believes to be from Lender's Agent.
- (4) Lender's Agent Acknowledgment. Lender's Agent hereby acknowledges that certain data and information (not developed by Custodian and not known by Custodian to be inaccurate) it will be accessing electronically from Custodian may be unaudited and may not be accurate due to inaccurate pricing of securities and other causes for which Custodian will not be liable to Lender's Agent.

(c) Responsibility of Custodian. The Custodian shall not be responsible for the title, validity or genuineness, including good deliverable form, of any property or evidence of title thereto received by it or delivered by it from or to Lender's Agent or Borrower pursuant to this Contract and shall be held harmless by Lender's Agent in acting upon any notice, request, consent, certificate or instrument reasonably believed by it to be genuine and to be signed or otherwise given by the proper party or parties. The Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, but shall be kept indemnified by and shall be without liability to Lender's Agent for any action taken or omitted by it in good faith and without negligence. The Custodian shall be under no duty with respect to Lender's Agent's performance of the services under the Lending Contract. The Custodian shall be entitled to rely on and may act upon advice of counsel (who may be counsel for Lender's Agent) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice. The Custodian shall be kept indemnified by and shall be without liability to Lender's Agent for assessed taxes, interest, charges, expenses, assessments, or other liabilities, with respect to securities that have been loaned from the Available Securities Account or for collateral received in connection therewith, in connection with the performance of this Contract, except such as may arise from the Custodian's own negligent action, or negligent omission.

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STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
 OR
530 W. ALLEGAN, LANSING, MI 48933

June 12, 2006

NOTICE
OF
CONTRACT NO. 071B6200315
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR <p style="text-align: center;">State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110</p> <p style="text-align: right; font-size: small;">vjdebaggis@statestreet.com</p>	TELEPHONE (617) 664-9574 Vincent DeBaggis VENDOR NUMBER/MAIL CODE BUYER/CA (517) 335-4804 Douglas Collier
Contract Compliance Inspector: Vernon Johnson <p style="text-align: center;">Custody and Performance Measurement Services-Treasury</p>	
CONTRACT PERIOD: From: June 1, 2006 To: May 31, 2011	
TERMS <p style="text-align: center;">Net 30</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

The terms and conditions of this Contract are those of ITB #071I5200272, this Contract Agreement and the vendor's quote dated 07/21/2005. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.

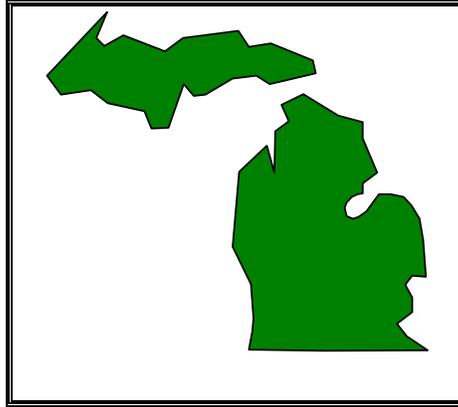
Estimated Contract Value: **\$4,500,000.00**

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
 OR
530 W. ALLEGAN, LANSING, MI 48933

CONTRACT NO. 071B6200315
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR <p style="text-align: center;">State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110</p> <p style="text-align: right; font-size: small;">vjdebaggis@statestreet.com</p>	TELEPHONE (617) 664-9574 Vincent DeBaggis VENDOR NUMBER/MAIL CODE BUYER/CA (517) 335-4804 Douglas Collier
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MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: <p>The terms and conditions of this Contract are those of ITB #071I5200272, this Contract Agreement and the vendor's quote dated 07/21/2005. In the event of any conflicts between the specifications, terms and conditions indicated by the State and those indicated by the vendor, those of the State take precedence.</p> <p>Estimated Contract Value: \$4,500,000.00</p>	

<p>FOR THE VENDOR:</p> <p style="text-align: center;">State Street Bank and Trust Company</p> <hr/> <p style="text-align: center;">Firm Name</p> <hr/> <p style="text-align: center;">Authorized Agent Signature</p> <hr/> <p style="text-align: center;">Authorized Agent (Print or Type)</p> <hr/> <p style="text-align: center;">Date</p>	<p>FOR THE STATE:</p> <hr/> <p style="text-align: center;">Signature</p> <p style="text-align: center;">Elise Lancaster</p> <hr/> <p style="text-align: center;">Name</p> <p style="text-align: center;">Director of Purchasing Operations</p> <hr/> <p style="text-align: center;">Title</p> <hr/> <p style="text-align: center;">Date</p>
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STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Investment Custodian and Performance Measurement Services

Buyer Name: Douglas Collier
Telephone Number: (517) 335-4804
E-Mail Address: Collierd1@michigan.gov



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Article 1 – Statement of Work (SOW)

1.0 Project Identification

1.001 PROJECT REQUEST

State Street will provide for the following:

1. Serve as custodian for its investment assets in trust and to support services of trade settlement and reporting.
2. Provide assistance to securities lending services contractor as noted in section 1.104.16.
3. Calculate the investment performance of its investments and investment pools.

1.002 BACKGROUND

The State of Michigan (State) manages approximately \$51 billion of tax-exempt assets. Approximately \$47 billion of those assets are held in trust for the four State sponsored retirement plans. The Bureau of Investments (BOI), Michigan Department of Treasury is responsible for the investing activities of the State sponsored retirement plans, the general fund, and various trust funds such as the Lottery and Michigan Education Trust. The BOI has an operating budget of over \$13 million and is authorized to employ 75 individuals. In carrying out its investment responsibilities, the BOI manages a broadly diversified portfolio that is primarily internally managed and includes over 3,000 individual investments.

The State's retirement plans are defined benefit plans representing over 574 thousand active members and retirees. The four plans represent the 13th largest public pension plan in the United States. The four plans are: Michigan Public School Employees Retirement System, Michigan State Employees Retirement System, Michigan State Police Retirement System and Michigan Judges Retirement System. The State Treasurer is the sole fiduciary of the retirement plans, which are overseen by a five-person Investment Advisory Committee and the BOI is managed by an Executive team consisting of a Chief Investment Officer, Chief Operating Officer, Chief Administrative Officer and support staff.

The BOI has seven divisions. These divisions manage various pooled investment strategies. The divisions are described below:

1. Short Term Fixed Income Division

The Short Term Fixed Income Division is responsible for the research, analysis, and investment of assets in fixed income securities with a maturity of less than one year. The division manages the Short Term Pool and the Common Cash Pool.

2. Long Term Fixed Income Division

The Long Term Fixed Income Division is responsible for the research, analysis, and investment of assets in fixed income securities with a maturity of more than one year. The division manages the Government Securities and the Corporate Bond Pools.

3. Mortgage & Real Estate Division

The Mortgage & Real Estate Division is responsible for managing the investments allocated to real estate. These investments are in the Real Estate Pool. Investments are typically held through various legal investment entities such as limited partnerships or limited liability companies, established for the specific purpose of owning, leasing, managing, financing or developing real estate and real estate related investments.



4. Quantitative Analysis Division

The Quantitative Analysis Division manages the Equity S&P 500 Index, the Equity S&P Midcap Index, the S&P Small Cap and the Equity International Investments pools. These are passive equity pools and the returns are targeted to the returns of the U.S. and international stock indices.

5. Stock Analysis Division

The Stock Analysis Division manages the Equity Large Cap Growth, the Equity Large Cap Value, and several equity small cap growth and value pools. Staff of the division research and recommend the purchase and sale of stocks of primarily U.S. based companies.

6. Alternative Investments Division

The Alternative Investments Division is responsible for the Alternative Investments and Credit Suisse pools. The Alternative Investments Pool holds investments in the private equity market, primarily through limited partnerships. The Credit Suisse Asset Management Pool manages the stock distributions of the Alternative Investments Pool.

7. Trust Accounting Division

The Trust Accounting Division provides accounting, trade settlement and related services to the various investment divisions within the BOI and other funds and state agencies. The division has three sections delineated by function and responsibility as follows:

- a. Operations: The Operations Section is responsible for settling all trades, cash management, and recording all investment and investment income transactions.
- b. Specialized Accounting: The Specialized Accounting Section is responsible for performance measurement and accounting for complex investment strategies.
- c. Accounting and System Control: The Accounting and System Control Section is responsible for accounting, cash and system control functions, financial statement analysis and financial statement preparation.

1.1 Scope of Work and Deliverables

1.101 IN SCOPE

State Street is to serve as custodian for investment assets in trust and to support services of trade settlement and reporting. Through this contract State Street will work with the securities lending provider for its securities lending activities. In addition, the State Street will calculate the investment performance of the investments and investment pools.

The purpose of this Contract is to provide the BOI with the following services:

- Custody of assets, including reporting and support services (see section 1.104.1)
- Performance measurement (see section 1.104.3).

Bidders may provide a proposal for one or more of the above service categories.

This ITB focuses on organizations that are able to provide the custody of more than \$51 billion in assets, consisting of more than 3,000 individual investments. The organization must also be able to handle a large volume of trades (up to 50,000), moving the securities and reporting the changes and inventory of securities to the BOI electronically. The securities lending, performance measurement, and custody services proposals will be evaluated jointly and/or separately (see section 4.601 for Selection Criteria). All Contractors, if more than one is chosen, will work together and supply each other with the necessary information. Bidders will be evaluated only for the areas (custody, securities lending or performance measurement) to which they respond (see section 4.301 for minimum support requirements).

**1.102 RESERVED****1.103 TECHNICAL ENVIRONMENT**

See Appendix A for Current Technical Environment and Key Features of Investment Accounting Process.

1.104 WORK AND DELIVERABLE

Contractor shall provide Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth in this section.

The following are the State's requirements with respect to the service capabilities of the bidder(s):

1.0 Custody Services (Custodian Contractor)**1.1. Custody Services - Transaction Processing**

- a. After the BOI Contract Compliance Inspector or designee (see section 2.401) confirms and affirms the trades for the day, all transactions must be processed, which involves the movement of securities and settling the trade on the contractual settlement date.

Bidder Response to task:

As part of our daily reconciliation with the State of Michigan Department of Treasury (State), we confirm the trades for the day, monitor the contractual settlement of the trades and confirm the net wire.

- b. Failed trades must be reported by phone and on-line daily.

Bidder Response to task:

Failed trade notification is part of the daily reconciliation process described in the response to 1.1(a).

- c. Accrue and report income daily.

Bidder Response to task:

State Street currently meets this requirement.

- d. Cash from security income and/or maturities must be available in federal funds on the payable date.

Bidder Response to task:

State Street currently meets this requirement.

- e. Cash will be invested by the State, swept to the State's concentration bank and bank account, or invested into a mutually agreed upon investment vehicle.

Bidder Response to task:

The cash investment is part of the daily reconciliation process described in the response to 1.1(a).

- f. The State does not intend to establish a demand deposit account with the Custodian Contractor.

Bidder Response to task:

Although any residual cash will be swept to the State's concentration bank, our accounting system requires that a demand deposit account be established. Please note that there are no checks issued, but the accounts are created only to record cash movements.

- g. Provide access controls to data defined by security level and user rights (see section 1.104.1.5.d).



Bidder Response to task:

State Street currently meets this requirement.

- h. Specific identification of securities must support CUSIPs and client created CUSIPs.

Bidder Response to task:

State Street currently meets this requirement.

1.2. Custody Services - Reporting

- a. Create and transfer daily holdings, cash and transaction files, with all data elements required by BOI's accounting system.
- b. Provide summary and detail standard reports, updated daily, and support query/data extract functions in the following activity areas:
- 1) Cash statements
 - 2) Earned income
 - 3) Foreign exchange
 - 4) Income receivables
 - 5) Pending/failed trades
 - 6) Purchases and sales
 - 7) Corporate actions
 - 8) Executive summaries
 - 9) Holdings
 - 10) Etc.

Bidder Response to task:

State Street currently meets this requirement.

- c. Transaction files must be electronically transferred overnight by 5:30 a.m. ET and must be available on-line by 5:30 a.m. ET the next day

Bidder Response to task:

State Street currently meets this requirement.

- d. Through the use of a daily cash projection report, which forecasts cash for the next 15 business days or more, the daily cash position must be reconciled with the State on a daily basis.

Bidder Response to task:

State Street currently meets this requirement.

- e. Audited asset/investment reports, in alpha order, must be transmitted to the BOI Contract Compliance Inspector or designee and followed up by CD as soon as available but no later than ten (10) business days from month end every month of the contract.

Bidder Response to task:

State Street currently meets this requirement.

- f. Provide daily pricing for all strategies and monthly pricing for all monthly strategies.

Bidder Response to task:

State Street provides daily pricing for all exchange traded securities and monthly pricing for all monthly strategies.

- g. Annual reports reflecting all activity for the year must be available within 30 calendar days after the State's fiscal year-end of September 30.



Bidder Response to task:

State Street currently provides this information to the State in hard copy format, CD and on-line.

- h. All reports must be available on-line as both a preformatted report and a data extract.

Bidder Response to task:

State Street currently meets this requirement.

- i. Reports must be accessible on-line for two fiscal years.

Bidder Response to task:

State Street currently meets this requirement.

1.3. Custody Services – Corporate Actions

- a. Track corporate actions such as tender offers, stock splits, spin-offs, mergers, name changes, CUSIP changes, etc., and report changes as they occur in real time.

Bidder Response to task:

By accessing our CAPTAIN[®] application, the State has been able to track corporate actions in real time.

- b. Provide an immediate preliminary stratified notification process that includes online, phone, e-mail notifications and fax, if necessary, to BOI Contract Compliance Inspector or designee of corporate actions. Describe process to notify BOI Contract Compliance Inspector or designee.

Bidder Response to task:

State Street currently meets this requirement.

Once relevant details of the issue and the holding have been confirmed, the corporate action workflow system supports the generation of three levels of corporate action notification for our customers and/or their investment manager(s):

- **Pre-notifications** are released within 24 hours of our receipt of preliminary corporate event details, which enables us to provide our customers and/or investment manager(s) with an alert of a potential corporate action event that may affect investment opportunities. For U.S. actions, pre-notifications are sent via State Street's Corporate Action Tracing and Interactive Network (CAPTAIN[®]), autofax or SWIFT. For all other global actions, pre-notifications are sent via autofax or SWIFT.
- State Street employs timeliness standards for notification that dictate the release of an **Interim Notification** if full details of an action have not been released in the market within pre-established timeframes. Interim notifications are sent via CAPTAIN[®], autofax or SWIFT.
- State Street strives to deliver **Full Notification** 48 hours prior to ex/effective date for ex-date driven events (e.g., rights issue) and at least 10 days prior to expiration for expiration date-driven actions (e.g., tender offers). Full notifications are sent via CAPTAIN[®], autofax or SWIFT.

Throughout the corporate action cycle, our workflow system continuously integrates information on customer holdings and event level details, which support the identification of any changes in the terms of an event that require renotification. Once the need for a renotification is identified, the workflow system automatically supports the generation of renotifications.

- c. Maintain real-time updates



Bidder Response to task:

State Street currently meets this requirement.

- d. Provide final notification, both on-line and by phone, prior to the deadline to BOI Contract Compliance Inspector or designee of corporate actions

Bidder Response to task:

State Street currently meets this requirement.

- e. Information on corporation actions must be available on-line with access by event, name, CUSIP, date, etc.

Bidder Response to task:

State Street currently meets this requirement.

- f. BOI must be able to respond to corporate actions on-line.

Bidder Response to task:

State Street currently provides BOI with this service. Refer to answer 1.3a.

- g. Corporate actions taken by the State must be initiated by BOI Contract Compliance Inspector or designee and completed prior to transaction deadline by a multi-step verification process. Please describe process.

Bidder Response to task:

As previously stated, due to the inherent risk associated with corporate actions, our customers look to us to ensure each corporate action is identified promptly, tracked effectively and processed flawlessly so that there are no operational repercussions on their asset management duties.

State Street begins working on a corporate action immediately following the identification of an event. We continuously communicate with depositories, subcustodians and other market agents to expedite the gathering of complete details on the event. In addition, we reconcile information received daily from data vendor sources, our subcustodians, and directly from issuers and paying agents against our accounting and custody records. Once relevant details are confirmed, the Corporate Action Workflow System automatically supports the generation of three levels of corporate action notification for our customers:

- **Pre-notifications** are released within 24 hours of our receipt of preliminary corporate event details. This enables us to provide our customers with an alert of a potential corporate action event that may affect investment opportunities.
- State Street employs timeliness standards for notification that dictate the release of an **Interim Notification** if full details of an action have not been released in the market within pre-established timeframes.
- State Street strives to deliver **Full Notification** 48 hours prior to ex/effective date for ex-date driven events (e.g., rights issue) and at least 10 days prior to expiration for expiration date-driven actions (e.g., tender offers).

These standards have been established to ensure customers and investment managers have sufficient time to respond to voluntary corporate actions. These notifications are distributed to customers/investment advisors either via CAPTAIN®, autofax or SWIFT.

Throughout the corporate action cycle, our workflow system continuously integrates information on the status of customer responses, customer holdings and event level details. Missing responses are identified systematically for follow-up on State Street's deadline date.



After an investment manager instruction passes the appropriate edits, the corporate action system supports instruction processing through automated delivery to subcustodians via SWIFT. The corporate action system also supports the pending of securities and cash entitlements on the custody records. Once entitlements are collected, the subcustodian or depository notifies State Street via SWIFT or other communication links and the transactions are settled on our records.

1.4. Custody Services – Security Litigation

- a. Track litigation involving securities or investments held by the State

Bidder Response to task:

State Street currently meets this requirement.

- b. Make the appropriate filings on BOI's behalf including proof of claim and other filings within time frame identified by the court.

Bidder Response to task:

State Street currently meets this requirement.

- c. Report on the status, including the number of shares filed, of cases quarterly.

Bidder Response to task:

State Street currently provides a monthly report that will indicate the security, account number, number of shares and date the litigation was filed.

- d. Provide access to the status and reports on-line, updated daily.

Bidder Response to task:

State Street currently meets this requirement.

- e. Deposit settlement checks daily in BOI's account.

Bidder Response to task:

Prior to depositing the checks, the State is notified of the amount so the total can be included in the daily cash reconciliation that was described previously.

- f. Provide archival resources accessible by BOI Contract Compliance Inspector or designee, or outside legal counsel and supported by standardized and customized reporting resources available on-line and certified upon request.

Bidder Response to task:

Our system is able to track both the positional and transactional history of securities held in our custody during the class periods. These records are retained for a minimum of seven years. Special arrangements may be made through your customer relationship manager to receive historical records on CD ROM for longer retention periods.

1.5. Custody Services - Systems



- a. File transfers must be secure (see sections 1.104.1.2.c and 1.104.5.d).

Bidder Response to task:

State Street currently meets this requirement. Our customer specific feeds are available by 5:30 a.m. Our online information delivery platform is available 24/7/365. Online data is either real-time or refreshed nightly in batches, with the new data available by 7:00 a.m. ET the following day.

- b. The Custodian Contractor must provide a dedicated telephone line to the State with scalable bandwidth to ensure immediate on-line access to investment data available. The dedicated line must be available and provide access to the custodian's system 100% of the time and support an average response time of no more than 10 seconds. Custodian Contractor is responsible for costs associated with establishing and maintaining a scalable dedicated line from its data center to the BOI.

Bidder Response to task:

State Street currently meets this requirement. Please refer to answer 1.1g.

- c. The Custodian Contractor must ensure information/data compatibility whenever changes are made to its system(s) prior to implementing these changes. Custodian Contractor must give 30 calendar days notice of proposed changes to BOI Contract Compliance Inspector or designee. These will be developed and installed at the State at the Custodian Contractor's expense.

Bidder Response to task:

State Street currently meets this requirement.

- d. The Custodian Contractor must ensure that its computer systems and transmissions from those systems are secure and accessible by standard log on and password access. The Custodian Contractor must provide security to protect the State's financial information from unauthorized use and theft. These requirements will be evaluated prior to implementation and may be subject to a performance and reliability evaluation (PARE), see section 2.105.

Bidder Response to task:

To ensure a secure transmission of data, State Street has provided a frame relay. This dedicated line is part of an "Application Gateway" platform that will enhance overall information security and improve the provisioning of access to State Street services. In addition, all passwords must be updated every 30 days and we must receive written authorization to create a new user.

- e. Provide support during the hours of 7:00 a.m. to 6:00 p.m. ET, Monday through Friday.

Bidder Response to task:

State Street currently meets this requirement.

1.6 Other Contractors

- a. The Custodian Contractor will be responsible for working with the State and other contractors (e.g. Securities Lending Contractor, Performance Measurement Contractor, information technology systems contractors, etc.) to assist in problem resolutions including but not limited to, establishing new communications channels, downtime, testing, etc.

Bidder Response to task:

State Street is able to meet this requirement.



2.0 Reserved

3.0 Performance Measurement Services (Performance Measurement Contractor)

3.1. The following returns must be calculated:

- a. 10, 5, 3, 2, 1-year, 6 month and quarterly returns for each investment pool within each retirement plan.
- b. 10, 5, 3, 2, 1-year, 6 month and quarterly returns for the entire portfolio within each retirement plan.

Bidder Response to task:

Returns can be calculated for all the time periods and entities listed above (in part a and part b).

3.2 Provide updated daily, weekly and monthly performance in the various strata, on-line by 5:30 a.m. ET, daily. Reports must be available on-line and in hard copy. (See Appendix A2.)

Performance Evaluation

	Performance Measurement Monthly	Attribution Monthly	Universe Comparison Quarterly
Separately Managed			
Government	X	X	
Corporate	X	X	
Growth	X	X	
Value	X	X	
Delaware – Small Cap Growth	X		
Putnam – Small Cap Growth	X		
S&P 500	X		
Midcap	X		
Credit Suisse	X		
International	X		X
Real Estate	X		X
Alternative	X		X
Short Term	X		
Small Cap 600	X		
Putnam – Small Cap Value	X		
NorthPointe – Small Cap Value	X		
Fisher – Small Cap Value	X		
Composites			
Total	X		X
Equities	X		X
Domestic (Active & Passive)	X		X
Stock – Active	X		X
Stock – Passive	X		X
Fixed Income	X		X
Small Cap Growth	X		X
Small Cap Value	X		X

a. Totals

1. Performance measurement, monthly: 17 separately managed portfolios, 8 composites
2. Attribution monthly: 4 separately managed portfolios
3. 3. Universe comparison, quarterly: 6 composites for 4 plans = 24 portfolios
3 separately managed = Total of 27 portfolios.



b. Composites:

1. Total: All portfolios
2. Equities: Growth, Value, Delaware, Putnam (Growth), S&P 500, Midcap, Credit Suisse, International, Alternative, Small Cap 600, Putnam (Value), NorthPointe and Fisher
3. Stock – Active: Growth, Value, Delaware, Putnam (Growth), Putnam (Value), NorthPointe and Fisher
4. Stock – Passive: S&P 500, Midcap and Small Cap 600
5. Fixed Income: Government and Corporate
6. Small Cap Growth: Delaware and Putnam (Growth)
7. Small Cap Value: Putnam (Value), NorthPointe and Fisher.

Bidder Response to task:

State Street Analytics can, and currently does, provide daily internal rates of return on each appropriate investment pool down to the security level (private equity, real estate, cash, small cap 600 and international are not currently done daily since they are not priced daily). State Street's daily performance engine does not use any assumptions in its calculation. It calculates daily internal rates of return at the security level and it uses all of the actual activity in each fund instead of simply taking a weighted average of individual security buy/hold returns. The daily internal rates of return currently being provided to the State also take into account the fact that trades typically get affirmed and loaded on to the accounting system one business day after trade date. State Street's daily performance engine moves each trade back to the actual trade date and recomputes that day's return in addition to the prior day's return. State Street Analytics has been calculating daily internal rates of return in this manner for more than 15 years for our customers.

- 3.3 Provide preliminary performance measurement reports within 12 to 15 business days after month-end and final audited performance measurement report, no later than 30 calendar days after month-end.

Bidder Response to task:

State Street currently meets this requirement.

- 3.4 Quarterly and annual performance results must be provided to BOI on-line and on hard copy to the BOI Contract Compliance Inspector or designee within 30 business days of the end of the quarter or fiscal year.

Bidder Response to task:

State Street currently meets this requirement. Final monthly performance is currently provided to the State on the thirteenth business day and additional quarterly universe and attribution reporting is provided well before the thirtieth business day.

- 3.5 Return calculations must comply with CFA Institute guidelines.

Bidder Response to task:

State Street currently meets this requirement. In accordance with the guidelines recommended by the CFA Institute, State Street Analytics computes daily and monthly investment returns based on the Modified BAI method, otherwise known as an IRR or dollar-weighted return, when calculating a total rate of return for portfolios, groups of portfolios (aggregates), and within portfolios, asset classes, countries, industry and economic sectors and individual securities. This involves calculation of the internal rate of return (accounting for daily cash flows) monthly based on trade-date, full accrual accounting. For periods greater than a month, a time series of linked monthly returns is maintained, producing a time-weighted return.

- 3.6 Returns must be compared to a universe of substantially similar funds.



Bidder Response to task:

State Street currently meets this requirement. The State Street Universe contains performance and asset allocation data on over 900 plans representing more than 15,000 portfolios with assets in excess of US\$1.0 trillion. The subset of the universe most important to the State, Public Funds Greater Than US\$1 billion, is also very robust. As of March 31, 2005 there were 58 observations in the State Street Universe which is more than even TUCS had.

3.7 Provide a custom benchmark to that universe of substantially similar funds.

Bidder Response to task:

State Street currently meets this requirement. State Street Analytics currently includes the total plan policies and other custom benchmarks on all relevant universe reports.

3.8 Provide a comparison of BOI's performance to BOI's custom benchmarks

Bidder Response to task:

State Street currently meets this requirement. State Street Analytics currently calculates or maintains many custom indices for BOI, including the Total Plan Policies for all four of the defined benefit plans in their master trust.

3.9 Provide a comparison of BOI's performance to BOI's policy benchmarks

Bidder Response to task:

State Street currently meets this requirement. State Street Analytics currently calculates or maintains many custom indices for BOI, including the Total Plan Policies for all four of the defined benefit plans in their master trust.

3.10 Reconcile to Custodian Contractor monthly.

Bidder Response to task:

State Street currently meets this requirement.

3.11 Create custom reports. Describe the custom reports available and the process to request/generate custom reports.

Bidder Response to task:

In addition to the standard performance, attribution, and universe reports that are currently published on-line for BOI every month and quarter, State Street Analytics also provides many custom reports, many of which are used directly in the quarterly Investment Advisory Meeting. One advantage that State Street has when it comes to custom reporting is that all performance, attribution, and universe information is available on-line and it can be downloaded to a template very easily. The ease of exporting and the consistency of the format allow us to set up rigorous control and review procedures to ensure that the information being reported in this custom format can be done so with minimum operational risk.

3.12 Provide the ability for BOI to create ad-hoc reports on-line

Bidder Response to task:

State Street's on-line product allows customers all the same functionality afforded their performance team at State Street. Published reports can be run for different time periods or they can have their content changed. Ad hoc reports can also be run on demand or scheduled to run at certain dates and times. Once run, reports can be viewed, printed or downloaded to another application.



3.13 Calculate performance by type of security within a portfolio or fund

Bidder Response to task:

State Street can calculate and report internal rates of return at the sector level, the industry level, the country level (in base or local currency), the region level and the security level in addition to the total level. Returns can also be reported gross or net of fees.

3.14 Analyze variance of performance within a portfolio or fund

Bidder Response to task:

State Street Analytics offers a Domestic Equity Attribution report, which is designed to provide the user with an in-depth analysis of a portfolio and to measure the impact of portfolio structure on performance relative to a selected benchmark. It includes detailed information on asset mix, portfolio characteristics, risk, impact of turnover and security level high/low sorts by performance, market value, market capitalization, dividend yield, beta and P/E ratio, as well as variance. Incremental return differences between the portfolio and the benchmarks are analyzed in terms of weighting and selection within a single exposure factor. Factors for equity variance analysis include sector, industry, market cap, P/E ratio, beta, and dividend yield. The equity characteristics database contains over 20 characteristics, including dividend yield, P/E ratio, EPS growth, payout ratio, ROE, debt/equity and market capitalization. We also offer the Wilshire multi-factor model for domestic and international equities.

In support of the domestic performance attribution reporting service, we maintain a number of indices down to the security level, including the S&P 500, Wilshire 5000, Wilshire Style, and Russell Style for equity. We also have the ability to incorporate the holdings of externally held pooled domestic vehicles into this analysis.

The Global Attribution report presents base and local returns relative to a benchmark index and attributes the difference to four factors: country weighting, security selection, currency effect and hedging activity. We also have the ability to analyze performance within each country, by sectors, industries and securities. SSA also offers a global equity and fixed income characteristics report which provides characteristic information on the portfolio relative to the benchmark broken out by country. This information is available on both an absolute basis, as well as on a normalized basis (z-score) across countries.

In support of the Global Attribution report, we maintain a number of benchmark indices to the country level, including the MSCI World, the MSCI Emerging Markets, the FT Actuaries World and the J.P. Morgan and the Salomon World Government Bond Indices.

State Street Analytics' Domestic Fixed Income Attribution report is designed to provide the user with an in-depth analysis of a portfolio and to measure the impact of portfolio structure on performance relative to a selected benchmark. Fixed income characteristics include maturity, duration, coupon and quality for fixed income. Factors for fixed income include security type, maturity, duration, coupon and quality. Benchmark indices maintained in support of fixed income include the Lehman Government/Corporate, the Lehman Government/Corporate Intermediate and the Lehman Aggregate for fixed income, among others. We also offer the CMS Multi-factor model for domestic fixed income.



3.15 Other Contractors

The Performance Measurement Contractor will be responsible for working with the State and other contractors (e.g. Custodian Contractor, Securities Lending Contractor, information technology systems contractors, etc.) to assist in problem resolutions including but not limited to, establishing new communications channels, downtime, testing, etc.

Bidder Response to task:

State Street Analytics would gladly work with other third parties in whatever way possible to assist in problem resolution.

1.2 Roles and Responsibilities

1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

See sections 1.104.1 (Custodian Contractor) and 1.104.3 (Performance Measurement Contractor).

1.202 STATE STAFF, ROLES, AND RESPONSIBILITIES

The BOI will oversee the contract. Vernon Johnson, is the BOI Contract Compliance Inspector. His role is to oversee the Contract performance on a day-to-day basis during the term of the Contract (see section 2.401).

1.203 OTHER ROLES AND RESPONSIBILITIES

See Sections 1.104.1.6;.4; and 1.104.3.15.

1.3 Project Plan

1.301 PROJECT PLAN MANAGEMENT

1. Transition and Control

- a. Within five (5) business days of contract award, which is expected to be approximately September 1, 2005, the contractor must submit to the BOI Contract Compliance Inspector or designee a transition work plan for final approval. This final implementation plan will focus on a December 15, 2005 implementation date and must be in agreement with the bidder's proposal as accepted by the State for contract and must include the following:
 - The contractor's transition organizational structure.
 - The contractor's staffing table with names and titles of personnel assigned to the transition project. This must be in agreement with staffing presented in the proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State (see section 2.506).
 - The project should be detailed by sub-projects, activities/tasks, and resources required/ allocated to each.
 - The time-phased plan in the form of a graphic display, showing each event, task and decision point in the work plan.
- b. The contractor will carry out the transition from the current contract/contractor under the direction and control of the BOI Contract Compliance Inspector or designee.
- c. Although there will be continuous liaison with the contractor team, the project director of the contractor and the State will meet weekly during the transition period to review progress and provide necessary guidance to ensure that all State requirements are met
- d. The contractor(s) and the BOI Contract Compliance Inspector or designee will meet monthly during the term of the contract. Please refer to **Exhibit I** for a Project Plan/Timeline.

**1.302 RESERVED****1.4 Project Management****1.401 ISSUE MANAGEMENT**

Issues are those things that endanger the project. It includes imminent threats and events that may have already occurred. Identify how issues will be captured, reported and escalated. Define the issue escalation process to include whether escalation will be based on age, severity, budget impact, etc. and where the escalation levels are.

Bidder Response to task:

State Street does not prioritize issues based on age, severity or budget impact. If there is an issue that impacts the customer it is addressed immediately. The project leader would be Benjamin Johnson who is the Relationship Manager. Benjamin would receive notification of an issue either online or by speaking with other team members. The issue would be discussed with other members of the project team at one of the project meetings.

Benjamin would communicate the issue to the State and provide the action plan and corrective action if applicable. If Benjamin determines that the issue is not going to be resolved in a timely manner, he would meet with Vincent DeBaggis, Senior Vice President and Director of Public Funds, who would allocate the necessary resources to resolve the issue.

1.402 RISK MANAGEMENT

Risks and issues are not the same. Risks are those things that can be assumed or anticipated in a project. Issues are imminent threats or things that have already occurred. Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis. Please describe bidder's risk management process.

A security threat matrix must be developed after contract award to document the safeguards put in place to mitigate security threats that arise when an organization handles transactions. This matrix will include the following components 1) targeted system, 2) results expected, 3) security threat, 4) mitigation strategy, 5) probability of occurrence and 6) identify any residual threat remaining.

Describe security technology bidder uses to ensure data security.

Bidder Response to task:

All information created or used in support of State Street Corporation's business is considered corporate information.

Corporate information will be protected from accidental, malicious or unauthorized disclosure, misuse, modification, destruction, loss and/or damage. Protection of corporate information must span the lifetime of the information.

Standards and procedures have been developed and published to ensure that information is adequately protected. Standards will be reviewed and modified to ensure incorporation of industry best practices; procedures will be monitored for compliance to standards. Standards are considered minimum requirements and must be adhered to. Certain high risk or exposure situations may require the implementation of additional controls.

Intrusion Detection Systems will be used to monitor all network traffic - between trusted networks and untrusted or semi-trusted networks. All Intrusion Detection systems will send alerts to a 24x7 monitoring facility for (near) real time triage.



All data gathered by the IDS will also be examined for suspicious activity patterns State Street Corporate Security/Investigations will develop and maintain an incident response plan that addresses:

- incident classification, definition, and time frame for analysis investigation
- generating or increasing the level of alert
- incident notification and escalation procedures
- escalation team members
- closure with resolution

For State Street, the goal of system monitoring is to ensure maximum performance and minimal downtime of its data processing, storage and retrieval systems, as well as the voice and data networks of which they are a part. For network management, we leverage the SNMP (Simple Network Management Protocol) and RMON (Remote Monitoring) industry standards which establish, respectively, the means by which device data is exchanged between systems and by which network activity can be analyzed. The primary tool we employ within these standards is Micromuse Netcool. For systems and desktop management, our tool sets include the IBM Tivoli suite of systems management software and Compaq's Insight Manager.

Finally, while automation of and minimal human intervention in system performance are an ideal, we nonetheless add a crucial ingredient by having a highly-trained staff charged with the installation, maintenance and calibration of these monitoring systems, as well as with the analysis and review of their output. State Street maintains a data and network operations center at its Quincy campus staffed round-the-clock where much of this staff reside. Symmetric encryption keys (i.e., DES) used in data transmissions must be changed once every six months, or immediately if a compromise is suspected. Asymmetric key pairs and associated certificates must be reviewed on an annual basis and regenerated if the algorithms are no longer considered strong, in accordance with industry standards. Digital certificates must be revoked immediately if a compromise is suspected. The key length will, at all times, meet or exceed the industry standard for strong encryption, to the extent permitted by law.

1.403 CHANGE MANAGEMENT

If requested changes are outside the scope of this Contract, a Contract Change Request will need to be initiated by the BOI Contract Compliance Inspector and submitted to Treasury Purchasing. Treasury and Department of Management approvals are required before the change in specifications commences (also see section 2.002).

Specification changes within the scope of this Contract will be approved/disapproved by the BOI Contract Compliance Inspector per the State's Project Management Methodology (see section 2.104.2).

Bidder Response to task:

State Street will adhere to the Change Management policy that the ITB mandates.

**1.5 Acceptance****1.501 CRITERIA**

The following criteria will be used by the State to determine Acceptance of the Services and/or Deliverables provided under this SOW:

1. Transition and Control activities are completed per section 1.301.1. If a single contract is awarded for custody services, performance measurement and security lending, the contractor is responsible for supporting the functional requirements identified in Sections 1.104.1.0, 2.0, 3.0 and Appendices B and C. If multiple contract(s) are awarded, each contractor is responsible for providing functionality supporting the minimum requirements as identified in the applicable sections listed above, and interfacing with the other contractor(s) to provide a seamless data exchange.

Bidder Response to task:

[State Street will adhere to this requirement.](#)

1.502 FINAL ACCEPTANCE

1. PARE is completed after Transition and Control activities per section 2.105.

1.6 Compensation and Payment

See Appendix E. All prices/rates quoted in bidder's response to the ITB/RFP will be firm for the duration of the contract. No price changes will be permitted.

1.7 RESERVED



Article 2 – General Terms and Conditions

2.0 Introduction

2.001 GENERAL PURPOSE

The Contract is for investment custody, securities lending and/or performance measurement services for the State of Michigan. Bids are due and will be publicly identified at the time noted on the Invitation To Bid (ITB) Form.

2.002 ISSUING OFFICE AND CONTRACT ADMINISTRATOR

The Contract is issued by Purchasing Operations, State of Michigan, Department of Management and Budget, hereinafter known as Purchasing Operations, for the Department of Treasury, hereinafter known as Department of Treasury. Where actions are a combination of those of Purchasing Operations and the State agencies, the authority will be known as the State.

Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the commodities and/or services described herein. Purchasing Operations is the only office authorized to negotiate, change, modify, amend, alter, clarify, etc., the specifications, terms, and conditions of the Contract. Purchasing Operations will remain the SOLE POINT OF CONTACT throughout the procurement process.

Contractor proceeds at its own risk if it takes negotiation, changes, modification, alterations, amendments, clarification, etc., of the specifications, terms, or conditions of the contract from any individual or office other than Purchasing Operations and the listed contract administrator

All communications covering this procurement must be addressed to contract administrator indicated below:

Department of Management and Budget
Purchasing Operations
Doug Collier
2nd Floor, Mason Building
P.O. Box 30026
Lansing, Michigan 48909
(517) 335-4804
CollierD1@michigan.gov.

2.003 NOTICE

Any notice given to a party under this Contract must be written and shall be deemed effective, if addressed to such party as addressed below upon (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

To the State: Contract Administrator (see section 2.002):

To the Custodian:

State Street Bank and Trust Company
Master Trust Division
P. O. Box 1991
Boston, Massachusetts 02110
ATTN: Mark Curran



or to such other address as the State or the Custodian may hereafter specify in writing. Telephone and facsimile notices shall be sufficient if communicated to the party entitled to receive such notice at the following numbers (provided a copy of the Notice is also sent by mail):

If to State:

Telephone (517) 335-4804 Facsimile (517) 335-0046

If to Custodian:

Telephone (617) 985-7573 Facsimile (617) 537-5409.

2.004 CONTRACT TERM

The term of this Contract will be for five (5) years and will commence with the issuance of a Contract. This will be approximately May 1, 2006 through April 30, 2011.

Option. The State reserves the right to exercise two (2) one-year options, at the sole option of the State. Contractor performance, quality of products, price, cost savings, and the contractor's ability to deliver on time are some of the criteria that will be used as a basis for any decision by Purchasing Operations to exercise an option year.

Extension. At the sole option of the State, the contract may also be extended. Contractor performance, quality of products, price, cost savings, and the contractor's ability to deliver on time are some of the criteria that will be used as a basis for any decision by Purchasing Operations to exercise an option year.

2.005 GOVERNING LAW

The Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. By signing this agreement, vendor consents to personal jurisdiction in the state of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

2.006 APPLICABLE STATUTES

The following statutes, rules, and laws are applicable to the performance of this contract; some statutes are reflected in the clauses of this contract. This list is NOT exhaustive.

MI Uniform Commercial Code (MIUCC) MCL 440. (All sections unless otherwise altered by agreement)

MI OSHA MCL §§ 408.1001 – 408.1094

Freedom of Information Act (FIOA) MCL §§ 15.231, et seq.

Natural Resources and Environmental Protection Act MCL §§ 324.101, et seq.

MI Consumer Protection Act MCL §§ 445.901 – 445.922

Laws relating to wages, payments of wages, and fringe benefits on state projects MCL §§ 408.551 – 408.558, 408.471 – 408.490, 1965 PA 390.

Department of Civil Service Rules and regulations

Elliot Larsen Civil Rights Act MCL §§ 37.2201, et seq.

Persons with disabilities Civil Rights Act MCL §§ 37.1101, et seq.

MCL §§ 423.321, et seq.

MCL § 18.1264 (law regarding debarment)

Davis-Bacon Act (DBA) 40 USCU §§ 276(a), et seq.

Contract Work Hours and Safety Standards Act (CWHSSA) 40 USCS § 327, et seq.

Business Opportunity Act for Persons with Disabilities MCL §§ 450.791 – 450.795

Rules and regulations of the Environmental Protection Agency

Internal Revenue Code

Rules and regulations of the Equal Employment Opportunity Commission (EEOC)

The Civil Rights Act of 1964, USCS Chapter 42

Title VII, 42 USCS §§ 2000e et seq.



The Americans with Disabilities Act (ADA), 42 USCS §§ 12101 et seq.
The Age Discrimination in Employment Act of 1967 (ADEA), 29 USCS §§ 621, 623 et seq.
The Old Workers Benefit and Protection Act of 1990 (OWBPA), 29 USCS §§ 626, et seq.
The Family Medical Leave Act of 1993 (FMLA), 29 USC §§ 651 et seq.
The Fair Labor Standards Act (FLSA), 29 USC §§ 201 et seq.
Pollution Prevention Act of 1990 (PPA) 42 U.S.C. §13106
Sherman Act, 15 U.S.C.S. § 1 et seq.
Robinson-Patman Act, 15 U.S.C.S. § 13 et. seq.
Clayton Act, 15 U.S.C.S. § 14 et seq.

2.007 RELATIONSHIP OF THE PARTIES

The relationship between the State and the Contractor is that of client and independent Contractor. No agent, employee, or servant of the Contractor or any of its subcontractors shall be or shall be deemed to be an employee, agent, or servant of the State for any reason. The Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and subcontractors during the performance of this Contract.

2.008 HEADINGS

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of this Contract.

2.009 MERGER

This document constitutes the complete, final, and exclusive agreement between the parties. All other prior writings and negotiations are ineffective.

2.010 SEVERABILITY

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

2.011 SURVIVORSHIP

Any provisions of the Contract that impose continuing obligations on the parties including, but not limited to the Contractor's indemnity and other obligations shall survive the expiration or cancellation of the Contract for any reason.

2.012 NO WAIVER OF DEFAULT

The failure of a party to insist upon strict adherence to any term of the Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term or any other term of the Contract.

2.013 PURCHASE ORDERS

Orders for delivery of commodities and/or services may be issued directly by the State Departments through the issuance of a Purchase Order Form referencing this Contract (Blanket Purchase Order) agreement and the terms and conditions contained herein. Contractor is asked to reference the Purchase Order Number on all invoices for payment.



2.1 Vendor/Contractor Obligations

2.101 ACCOUNTING RECORDS

The Contractor and all subcontractors shall maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Michigan. Financial and accounting records shall be made available, upon request, to the State of Michigan, its designees, or the Michigan Auditor General at any time during the Contract period and any extension thereof, and for three years from expiration date and final payment on the Contract or extension thereof.

2.102 NOTIFICATION OF OWNERSHIP

The Contractor shall make the following notifications in writing:

1. When the Contractor becomes aware that a change in its ownership or officers has occurred, or is certain to occur, that could result in changes in the valuation of its capitalized assets in the accounting records, the Contractor shall notify Purchasing Operations within 30 days.
2. The Contractor shall also notify the Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

The Contractor shall:

1. Maintain current, accurate, and complete inventory records of assets and their costs;
2. Provide Purchasing Operations or designated representative ready access to the records upon request;
3. Ensure that all individual and grouped assets, their capitalized values, accumulated depreciation or amortization, and remaining useful lives are identified accurately before and after each of the Contractor's ownership or officer changes; and
4. Retain and continue to maintain depreciation and amortization schedules based on the asset records maintained before each Contractor ownership or officer change.

2.103 SOFTWARE COMPLIANCE

The vendor warrants that all software for which the vendor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure year 2000 compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

2.104 IT STANDARDS

1. EXISTING TECHNOLOGY STANDARDS. The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at <http://michigan.gov/dit>.



2. **PM METHODOLOGY STANDARDS.** The State has adopted a standard documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. This policy is referenced in the document titled "Project Management Methodology" – DMB Administrative Guide Procedure 1380.02 issued June 2000. Vendors may obtain a copy of this procedure, as well as the State of Michigan Project Management Methodology, from the Department of Information Technology's website at <http://www.michigan.gov/projectmanagement>.

The contractor shall use the State's PPM to manage State of Michigan Information Technology (IT) based projects. The Requesting agency will provide the applicable documentation and internal agency processes for the methodology. If the vendor requires training on the methodology, those costs shall be the responsibility of the vendor, unless otherwise stated.

3. **ADHERENCE TO PORTAL TECHNOLOGY TOOLS.** The State of Michigan, Department of Information Technology, has adopted the following tools as its Portal Technology development efforts:
- Vignette Content Management and personalization Tool
 - Inktomi Search Engine
 - E-Pay Payment Processing Module
 - Websphere Commerce Suite for e-Store applications

Vendors must use the Portal Technology Tools to implement web content management and deployment efforts for agencies. Tools used for web-based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with the Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team.

Under special circumstances vendors that are compelled to use alternate tools must submit an exception request to the Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team, for evaluation and approval of each alternate tool prior to proposal evaluation by the State.

2.105 PERFORMANCE AND RELIABILITY EVALUATION (PARE)

When the State requires that a performance and reliability evaluation (PARE) is to be performed, the standard of performance for the PARE will be closely monitored during the acceptance period.

In the event that the PARE is for components only, all references to systems (processors) should be changed to components.

The Performance and Reliability Evaluation will consist of two phases.

PHASE I

The first phase shall be comprised of a specification compliance review of the system(s) listed on the ordering document. Such system(s) shall be checked for total compliance with all required specifications of the RFP. In the event that the State determines that any component or feature of the delivered system does not comply with the mandatory specifications of the RFP, the State shall so notify the Contractor, allowing 14 calendar days for rectification by the Contractor. Should the Contractor be unable to rectify the deficiency, the State reserves the right to cancel the ordering document. Should the system pass the specification conformance review, the system shall enter Phase II of the PARE.

PHASE II

a. Determination of System Readiness

- 1) Prior to the PARE, a committee of three persons will be formed to evaluate the system's performance on a daily basis. The committee will consist of one Contractor representative and two State personnel.
- 2) The PARE will begin on the installation dates when the Contractor certifies that the system is ready for use by the State.

b. During the PARE:

All rerun times resulting from system failure and preventive maintenance shall be excluded from the performance hours.

- 1) All reconfiguration and reload time shall be excluded from the performance hours.
- 2) If files are destroyed as a result of a problem with Contractor equipment and must be rebuilt, the time required to rebuild the files will be considered "down-time" for the system.
- 3) If the Contractor requests access to failed equipment and the State refuses, then such maintenance will be deferred to a mutually agreeable time and the intervening time will not count against the PARE.
- 4) A functional benchmark demonstration will be run for the PARE Committee to confirm that the installed system is capable of performing the same functions that were demonstrated. This run must be completed to the satisfaction of the PARE Committee.

STANDARD OF PERFORMANCE

- a. The performance period (a period of thirty consecutive calendar days) shall commence on the installation date, at which time the operational control becomes the responsibility of the State. It is not required that one thirty day period expire in order for another performance period to begin.
- b. If each component operates at an average level of effectiveness of 95 percent or more for a period of 30 consecutive days from the commencement date of the performance period, it shall be deemed to have met the State's standard of performance period. The State shall notify the Contractor in writing of the successful completion of the performance period. The average effectiveness level is a percentage figure determined by dividing the total operational use time by the total operational use time plus associated down-time. In addition, the equipment shall operate in substantial conformance with the Contractor's published specifications applicable to such equipment on the date of this Agreement. Equipment added by amendment to this contract shall operate in conformance with the Contractor's published specifications applicable to such equipment at the time of such amendment.
- c. During the successful performance period, all rerun time resulting from equipment failure and preventive maintenance time shall be excluded from the performance period hours. All reconfigurations and reload time shall be excluded from the performance hours. Equipment failure down-time shall be measured by those intervals during the performance period between the time that the Contractor is notified of equipment failure and the time that the equipment is returned to the State in operating condition.
- d. During the successful performance period, a minimum of 80 hours of operational use time on each component will be required as a basis for computation of the average effectiveness level. However, in computing the effectiveness level, the actual number of operational use hours shall be used when in excess of the minimum stated above.



- e. No more than one hour will accrue to the performance hours during any one wall-clock hour.
- f. System shall not be accepted by the State and no charges will be paid by the State until the standard of performance is met.
- g. When a system involves on-line machines, which are remote to the basic installation, the required effectiveness level shall apply separately to each component in the system.
- h. Promptly upon successful completion of the performance period, the State shall notify the Contractor in writing of acceptance of the system and authorize the monthly payments to begin on the first day of the successful performance period.
- i. If successful completion of the performance period is not attained within 90 days of the installation date, the State shall have the option of terminating the Contract, or continuing the performance tests. The State's option to terminate the contract shall remain in effect until such time as a successful completion of the performance period is attained. The Contractor shall be liable for all outbound preparation and shipping costs for contracted items returned under this clause.

The PARE will be complete when the equipment has met the required effectiveness level for the prescribed time period.

2.106 PREVAILING WAGE

The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall not be less than the wage rates and fringe benefits established by the Michigan Department of Consumer and Industry Service, Bureau of Safety and Regulation, Wage/Hour Division schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor shall include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Consumer and Industry Services, the office responsible for enforcement of the wage rates and fringe benefits. You shall keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with this contract. This record shall be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted shall also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.

2.107 PAYROLL AND BASIC RECORDS

Payrolls and basic records relating to the performance of this contract shall be maintained by the Contractor during the course of the work and preserved for a period of 3 years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made, and actual wages paid. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.



The Contractor shall submit a copy of all payrolls to the Contract Administrator upon request. The payrolls submitted shall set out accurately and completely all of the information required to be maintained as indicated above.

The Prime Contractor is responsible for the submission of copies of payrolls by all subcontractors upon request from the Contract Administrator

The Contractor or subcontractor shall permit the Contract Administrator or representatives of the Contract Administrator or the State of Michigan to interview employees during working hours on the job.

If the Contractor or subcontractor fails to submit required records or to make them available, the Contract Administrator may, after written notice to the Contractor, take such action as may be necessary to cause the suspension of any further payment. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment.

2.108 COMPETITION IN SUB-CONTRACTING

The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract.

2.109 CALL CENTER DISCLOSURE

Vendor and/or all subcontractors involved in the performance of this contract providing call or contact center services to the State of Michigan must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information shall be a material breach of this agreement.

2.2 Contract Performance

2.201 TIME IS OF THE ESSENCE

Contractor/Vendor is on notice that time is of the essence in the performance of this contract. Late performance will be considered a material breach of this contract, giving the State a right to invoke all remedies available to it under this contract.

2.202 CONTRACT PAYMENT SCHEDULE

All invoices must reflect custodian, securities lending and/or performance measurement services completed per section 1.104. The Contractor will submit a monthly invoice of completed services; furthermore, the invoice must list the contract number and/or purchase order number. Payment will be issued upon Final Acceptance defined in section 1.502.

All invoices must be submitted to the following address (failure to do so may result in late payment):

Vernon Johnson
Department of Treasury
Bureau of Investments
2501 Coolidge Road; Suite 400
East Lansing, MI 48823.

2.203 POSSIBLE PROGRESS PAYMENTS

The Government may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.204 RESERVED



2.205 ELECTRONIC PAYMENT AVAILABILITY

Electronic transfer of funds is available to State contractors. Vendors are encouraged to register with the State of Michigan Office of Financial Management so the State can make payments related to this Contract electronically at www.cpexpress.state.mi.us.

2.206 RESERVED

2.3 Contract Rights and Obligations

2.301 INCURRING COSTS

The State of Michigan is not liable for any cost incurred by the Contractor prior to signing of the Contract. The State fiscal year is October 1st through September 30th. The Contractor(s) should realize that payments in any given fiscal year are contingent upon enactment of legislative appropriations. Total liability of the State is limited to terms and conditions of the Contract.

2.302 CONTRACTOR RESPONSIBILITIES

The Contractor will be required to assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State will consider the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve subcontractors and to require the Contractor to replace subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the subcontractor to all provisions of the Contract. Any change in subcontractors must be approved by the State, in writing, prior to such change.

2.303 ASSIGNMENT AND DELEGATION

The Contractor shall not have the right to assign this Contract, to assign its rights under this contract, or delegate any of its duties or obligations under the Contract to any other party (whether by operation of law or otherwise), without the prior written consent of the State. Any purported assignment in violation of this Section shall be null and void. Further, the Contractor may not assign the right to receive money due under the Contract without the prior written consent of the Director of Purchasing Operations.

The Contractor shall not delegate any duties or obligations under the Contract to a subcontractor other than a subcontractor named and approved in the bid unless the Director of Purchasing Operations has given written consent to the delegation.

Bidder must obtain the approval of the Director of Purchasing Operations before using a place of performance that is different from the address that bidder provided in the bid.

2.304 TAXES

Sales Tax: For purchases made directly by the State of Michigan, the State is exempt from State and Local Sales Tax. Prices shall not include such taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

Federal Excise Tax: The State of Michigan may be exempt for Federal Excise Tax, or such taxes may be reimbursable, if articles purchased under this Contract are used for the State's exclusive use. Certificates exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent to the Contractor upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices shall not include the Federal Excise Tax.

The State's Tax Exempt Certification is available for vendor viewing upon request to the Contract Administrator.



2.305 INDEMNIFICATION

General Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

1. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from (1) the product provided or (2) performance of the work, duties, responsibilities, actions or omissions of the Contractor or any of its subcontractors under this Contract.
2. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from a breach by the Contractor of any representation or warranty made by the Contractor in the Contract;
3. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or related to occurrences that the Contractor is required to insure against as provided for in this Contract;
4. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Contractor, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the State;
5. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents which results from an act or omission of the Contractor or any of its subcontractors in its or their capacity as an employer of a person.

Patent/Copyright Infringement Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in the Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.



Code Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

Indemnification Obligation Not Limited

In any and all claims against the State of Michigan, or any of its agents or employees, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefits acts, or other employee benefits acts. This indemnification clause is intended to be comprehensive. Any overlap in sub clauses, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other sub clause.

Continuation of Indemnification Obligation

The duty to indemnify will continue in full force and affect notwithstanding the expiration or early termination of the Contract with respect to any claims based on facts or conditions, which occurred prior to termination.

Indemnification Procedures

The procedures set forth below shall apply to all indemnity obligations under this Contract.

- (a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to so notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.
- (b) If Contractor delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the Defense; (ii) Contractor shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) Contractor shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to Contractor given within ten (10) days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General.



In the event the insurer's attorney represents the State pursuant to this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

- (c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor shall promptly reimburse the State for all such reasonable costs and expenses.

2.306 LIMITATION OF LIABILITY

Except as set forth herein, neither the Contractor nor the State shall be liable to the other party for indirect or consequential damages, even if such party has been advised of the possibility of such damages. Such limitation as to indirect or consequential damages shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; to Contractor's indemnification obligations (2.305); or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

2.307 CONTRACT DISTRIBUTION

Purchasing Operations shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

2.308 FORM, FUNCTION, AND UTILITY

If the Contract is for use of more than one State agency and if the good or service provided under this Contract do not meet the form, function, and utility required by a State agency, that agency may, subject to State purchasing policies, procure the good or service from another source.

2.309 ASSIGNMENT OF ANTITRUST CAUSE OF ACTION

For and in consideration of the opportunity to submit a quotation and other good and valuable consideration, the bidder hereby assigns, sells and transfers to the State of Michigan all rights, title and interest in and to all causes of action it may have under the antitrust laws of the United States or this State for price fixing, which causes of action have accrued prior to the date of payment and which relate solely to the particular goods, commodities, or services purchased or procured by this State pursuant to this transaction.

2.310 RESERVED

2.311 TRANSITION ASSISTANCE

If this Contract is not renewed at the end of this term, or is canceled prior to its expiration, for any reason, the Contractor must provide for up to six (6) after the expiration or cancellation of this Contract, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this Contract, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the Contract for Contract performance.



2.312 WORK PRODUCT

Work Products shall be considered works made by the Contractor for hire by the State and shall belong exclusively to the State and its designees, unless specifically provided otherwise by mutual agreement of the Contractor and the State. If by operation of law any of the Work Product, including all related intellectual property rights, is not owned in its entirety by the State automatically upon creation thereof, the Contractor agrees to assign, and hereby assigns to the State and its designees the ownership of such Work Product, including all related intellectual property rights. The Contractor agrees to provide, at no additional charge, any assistance and to execute any action reasonably required for the State to perfect its intellectual property rights with respect to the aforementioned Work Product.

Notwithstanding any provision of this Contract to the contrary, any preexisting work or materials including, but not limited to, any routines, libraries, tools, methodologies, processes or technologies (collectively, the "Development Tools") created, adapted or used by the Contractor in its business generally, including any and all associated intellectual property rights, shall be and remain the sole property of the Contractor, and the State shall have no interest in or claim to such preexisting work, materials or Development Tools, except as necessary to exercise its rights in the Work Product. Such rights belonging to the State shall include, but not be limited to, the right to use, execute, reproduce, display, perform and distribute copies of and prepare derivative works based upon the Work Product, and the right to authorize others to do any of the foregoing, irrespective of the existence therein of preexisting work, materials and Development Tools, except as specifically limited herein.

The Contractor and its subcontractors shall be free to use and employ their general skills, knowledge and expertise, and to use, disclose, and employ any generalized ideas, concepts, knowledge, methods, techniques or skills gained or learned during the course of performing the services under this Contract, so long as the Contractor or its subcontractors acquire and apply such information without disclosure of any confidential or proprietary information of the State, and without any unauthorized use or disclosure of any Work Product resulting from this Contract.

2.313 RESERVED

2.314 WEBSITE INCORPORATION

State expressly states that it will not be bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

2.4 Contract Review and Evaluation

2.401 CONTRACT COMPLIANCE INSPECTOR

Upon receipt at Purchasing Operations of the properly executed Contract Agreement(s), the person named below will be allowed to oversee the Contract performance on a day-to-day basis during the term of the Contract. However, overseeing the Contract implies **no authority to negotiate, change, modify, clarify, amend, or otherwise alter the terms, conditions, and specifications of such Contract(s). That authority is retained by Purchasing Operations.** The Contract Compliance Inspector for this project is:

Vernon Johnson
Department of Treasury
Bureau of Investments
2501 Coolidge Road; Suite 400
East Lansing, MI 48823
E-mail: VJohnson@invest.treas.state.mi.us
Phone: (517) 373-3157.

**2.402 PERFORMANCE REVIEWS**

Purchasing Operations in conjunction with the Department of Treasury may review with the Contractor their performance under the Contract. Performance reviews shall be conducted quarterly, semi-annually or annually depending on Contractor's past performance with the State. Performance reviews shall include, but not limited to, quality of products/services being delivered and provided, timeliness of delivery, percentage of completion of orders, the amount of back orders, status of such orders, accuracy of billings, customer service, completion and submission of required paperwork, the number of substitutions and the reasons for substitutions, and other requirements of the Contract.

Upon a finding of poor performance, which has been documented by Purchasing Operations, the Contractor shall be given an opportunity to respond and take corrective action. If corrective action is not taken in a reasonable amount of time as determined by Purchasing Operations, the Contract may be canceled for default. Delivery by the Contractor of unsafe and/or adulterated or off-condition products to any State agency is considered a material breach of Contract subject to the cancellation provisions contained herein.

2.403 AUDIT OF CONTRACT COMPLIANCE/ RECORDS AND INSPECTIONS

- (a) Inspection of Work Performed. The State's authorized representatives shall at all reasonable times and with ten (10) days prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and shall have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon ten (10) Days prior written notice and during business hours, the State's representatives shall be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that such access will not interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives, so long as no security, labor relations policies and propriety information policies are violated.
- (b) Examination of Records. No more than once per year, Contractor agrees that the State, including its duly authorized representatives, until the expiration of seven (7) years following the creation of the material (collectively, the "Audit Period"), shall, upon twenty (20) days prior written notice, have access to and the right to examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the terms and conditions of the Contract and with applicable laws and rules, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to Contractor to the extent such access would require such confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.
- (c) Retention of Records. Contractor shall maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract in accordance with generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records shall be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.
- (d) Audit Resolution. If necessary, the Contractor and the State shall meet to review each audit report promptly after issuance. The Contractor will respond to each audit report in writing within thirty (30) days from receipt of such report, unless a shorter response time is specified in such report. The Contractor and the State shall develop and agree upon an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in such audit report.



1. Errors. If the audit demonstrates any errors in the statements provided to the State, then the amount in error shall be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four (4) quarterly statements. If a balance remains after four (4) quarterly statements, then the remaining amount will be due as a payment or refund within forty-five (45) days of the last quarterly statement that the balance appeared on or termination of the contract, whichever is earlier.
2. In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than ten (10%), then the Contractor shall pay all of the reasonable costs of the audit.

2.5 Quality and Warranties

2.501 PROHIBITED PRODUCTS

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change.

2.502 RESERVED

2.503 RESERVED

2.504 GENERAL WARRANTIES (goods)

Warranty of Merchantability – Goods provided by vendor under this agreement shall be merchantable. All goods provided under this contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the vendor or on the container or label.

Warranty of fitness for a particular purpose – When vendor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the vendor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

Warranty of title – Vendor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by vendor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by vendor, under this agreement, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.505 CONTRACTOR WARRANTIES

The Contract will contain customary representations and warranties by the Contractor, including, without limitation, the following:

1. The Contractor will perform all services in accordance with high professional standards in the industry;
2. The Contractor will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services;
3. The Contractor will use its best efforts to use efficiently any resources or services necessary to provide the services that are separately chargeable to the State;
4. The Contractor will use its best efforts to perform the services in the most cost effective manner consistent with the required level of quality and performance;



5. The Contractor will perform the services in a manner that does not infringe the proprietary rights of any third party;
6. The Contractor will perform the services in a manner that complies with all applicable laws and regulations;
7. The Contractor has duly authorized the execution, delivery and performance of the Contract;
8. The Contractor is capable in all respects of fulfilling and shall fulfill all of its obligations under this contract.
9. The contract appendices, attachments, and exhibits identify all equipment and software services necessary for the deliverable(s) to perform and operate in compliance with the contract's requirements.
10. The Contractor is the lawful owner or licensee of any Deliverable licensed or sold to the state by Contractor or developed by Contractor under this contract, and Contractor has all of the rights necessary to convey to the state the ownership rights or license use, as applicable, of any and all Deliverables.
11. If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to such items as set forth in this Contract, Contractor shall assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
12. The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter this contract, on behalf of Contractor.
13. The Contractor is qualified and registered to transact business in all locations where required.
14. Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.
15. All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the ITB or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse changes in the business, properties, financial condition, or results of operations of Contractor. All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.



2.506 STAFF

The State reserves the right to approve the Contractor's assignment of Key Personnel to this project and to recommend reassignment of personnel deemed unsatisfactory by the State.

The Contractor shall not remove or reassign, without the State's prior written approval any of the Key Personnel until such time as the Key Personnel have completed all of their planned and assigned responsibilities in connection with performance of the Contractor's obligations under this Contract. The Contractor agrees that the continuity of Key Personnel is critical and agrees to the continuity of Key Personnel. Removal of Key Personnel without the written consent of the State may be considered by the State to be a material breach of this Contract. The prohibition against removal or reassignment shall not apply where Key Personnel must be replaced for reasons beyond the reasonable control of the Contractor including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.

2.507 SOFTWARE WARRANTIES

(a) Performance Warranty

The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of ninety (90) days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

(b) No Surreptitious Code Warranty

The Contractor represents and warrants that no copy of licensed Software provided to the State contains or will contain in any Self-Help Code or any Unauthorized Code as defined below. This warranty is referred to in this Contract as the "No Surreptitious Code Warranty."

As used in this Contract, "Self-Help Code" means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, "Unauthorized Code" means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

(c) Calendar Warranty

The Contractor represents and warrants that all software for which the Contractor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.



The software design, to insure calendar year rollover compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

(d) Third-party Software Warranty

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Deliverables. At the time of Delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.



2.508 LIABILITY INSURANCE

A. Insurance

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether such services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain pursuant to this Contract.

All insurance coverage provided relative to this Contract/Purchase Order is PRIMARY and NONCONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance shall be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. Companies that have been approved to do business in the State shall issue all policies of insurance required in this Contract.

See www.michigan.gov/cis

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits.

Before both parties sign the Contract or before the purchase order is issued by the State, the Contractor must furnish to the Director of Purchasing Operations, certificate(s) of insurance verifying insurance coverage ("Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverage afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without THIRTY (30) days prior written notice, except for ten (10) days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Purchasing Operations, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State's sole option, result in this Contract's termination.

The Contractor is required to pay for and provide the type and amount of insurance checked below:

1. Commercial General Liability with the following minimum coverage:

\$2,000,000	General Aggregate Limit other than Products/Completed Operations
\$2,000,000	Products/Completed Operations Aggregate Limit
\$1,000,000	Personal & Advertising Injury Limit
\$1,000,000	Each Occurrence Limit
\$500,000	Fire Damage Limit (any one fire)

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSURED(S) on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.



The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

3. Workers' compensation coverage must be provided in accordance with applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If a self-insurer provides the applicable coverage, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

4. Employers liability insurance with the following minimum limits:

\$100,000	each accident
\$100,000	each employee by disease
\$500,000	aggregate disease

5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).
6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.



7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.
8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of Contractor. Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.

B. Subcontractors

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor shall require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) shall fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

C. Certificates of Insurance and Other Requirements

Contractor shall furnish to the Office of Purchasing Operations certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds, but only to the extent of liabilities assumed by Contractor as set forth in Indemnification Section of this Contract, under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan. Contractor shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given Contractor at least thirty (30) days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.



2.509 PHYSICAL MEDIA WARRANTY

Contractor represents and warrants that each licensed copy of the Software provided by the Contractor is free from physical defects in the media that tangibly embodies the copy. This warranty does not apply to defects discovered more than thirty (30) days after that date of Final Acceptance of the Software by the State. This warranty does not apply to defects arising from acts of Excusable Failure. If the Contractor breaches this warranty, then the State shall be entitled to replacement of the non-compliant copy by Contractor, at Contractor's expense (including shipping and handling).

2.6 Breach of Contract

2.601 BREACH DEFINED

Failure to comply with articles, sections, or subsections of this agreement, or making any false statement in this agreement will be considered a material breach of this agreement giving the state authority to invoke any and all remedies available to it under this agreement.

In addition to any remedies available in law and by the terms of this contract, if the Contractor breaches Sections 2.508, 2.509, or 2.510, such a breach may be considered as a default in the performance of a material obligation of this contract.

2.602 NOTICE AND THE RIGHT TO CURE

In the event of a curable breach by the Contractor, the State shall provide the Contractor written notice of the breach and a time period to cure said breach described in the notice. This section requiring notice and an opportunity to cure shall not be applicable in the event of successive or repeated breaches of the same nature or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage or destruction of any real or tangible personal property.



2.603 EXCUSABLE FAILURE

1. Neither party shall be liable for any default or delay in the performance of its obligations under the Contract if and to the extent such default or delay is caused, directly or indirectly, by: fire, flood, earthquake, elements of nature or acts of God; riots, civil disorders, rebellions or revolutions in any country; the failure of the other party to perform its material responsibilities under the Contract (either itself or through another contractor); injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of such party; provided the non-performing party and its subcontractors are without fault in causing such default or delay, and such default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaroud plans or other means, including disaster recovery plans. In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its best efforts to recommence performance or observance whenever and to whatever extent possible without delay provided such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.
2. If any of the above enumerated circumstances substantially prevent, hinder, or delay performance of the services necessary for the performance of the State's functions for more than 14 consecutive days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected services from an alternate source, and the State shall not be liable for payments for the unperformed services under the Contract for so long as the delay in performance shall continue; (b) the State may cancel any portions of the Contract so affected and the charges payable hereunder shall be equitably adjusted to reflect those services canceled; or (c) the Contract will be canceled without liability of the State to the Contractor as of the date specified by the State in a written notice of cancellation to the Contractor. The Contractor will not have the right to any additional payments from the State as a result of any excusable failure occurrence or to payments for services not rendered as a result of the excusable failure condition. Defaults or delays in performance by the Contractor which are caused by acts or omissions of its subcontractors will not relieve the Contractor of its obligations under the Contract except to the extent that a subcontractor is itself subject to any excusable failure condition described above and the Contractor cannot reasonably circumvent the effect of the subcontractor's default or delay in performance through the use of alternate sources, workaroud plans or other means.

2.7 Remedies

2.701 CANCELLATION

The State may cancel this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents, and employees for any of the following reasons:

1. Material Breach by the Contractor. In the event that the Contractor breaches any of its material duties or obligations under the Contract, which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State, or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of cancellation to the Contractor, cancel this Contract in whole or in part, for cause, as of the date specified in the notice of cancellation.

In the event that this Contract is cancelled for cause, in addition to any legal remedies otherwise available to the State by law or equity, the Contractor shall be responsible for all costs incurred by the State in canceling the Contract, including but not limited to, State administrative costs, attorneys fees and court costs, and any additional costs the State may incur to procure the services required by this Contract from other sources. All excess re-procurement costs and damages shall not be considered by the parties to be consequential, indirect or incidental, and shall not be excluded by any other terms otherwise included in the Contract.



In the event the State chooses to partially cancel this Contract for cause charges payable under this Contract will be equitably adjusted to reflect those services that are cancelled.

In the event this Contract is cancelled for cause pursuant to this section, and it is therefore determined, for any reason, that the Contractor was not in breach of contract pursuant to the provisions of this section, that cancellation for cause shall be deemed to have been a cancellation for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in the Contract for a cancellation for convenience.

2. Cancellation For Convenience By the State. The State may cancel this Contract for its convenience, in whole or part, if the State determines that such a cancellation is in the State's best interest. Reasons for such cancellation shall be left to the sole discretion of the State and may include, but not limited to (a) the State no longer needs the services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Contract services no longer practical or feasible, and (c) unacceptable prices for additional services requested by the State. The State may cancel the Contract for its convenience, in whole or in part, by giving the Contractor written notice 30 days prior to the date of cancellation. If the State chooses to cancel this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those services that are cancelled.
3. Non-Appropriation. In the event that funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available. The Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this project. If funds are not appropriated or otherwise made available, the State shall have the right to cancel this Contract at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of cancellation to the Contractor. The State shall give the Contractor written notice of such non-appropriation or unavailability within 30 days after it receives notice of such non-appropriation or unavailability.
4. Criminal Conviction. In the event the Contractor, an officer of the Contractor, or an owner of a 25% or greater share of the Contractor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State, reflects upon the Contractor's business integrity.
5. Approvals Rescinded. The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, section 5, and Civil Service Rule 7. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

2.702 RIGHTS UPON CANCELLATION

A. Rights and Obligations Upon Termination

- (1) If this Contract is terminated by the State for any reason, Contractor shall (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) in the event that the Contractor maintains title in equipment and software that is intended to be transferred to the State at the termination of the Contract, Contractor will transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables and other Developed Materials intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract



(which shall be provided to the State on an “As-Is” basis except to the extent the amounts paid by the State in respect of such items included compensation to Contractor for the provision of warranty services in respect of such materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

- (2) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay Contractor for all charges due for Services provided prior to the date of termination and, if applicable, as a separate item of payment pursuant to this Contract, for partially completed Deliverables, on a percentage of completion basis. All completed or partially completed Deliverables prepared by Contractor pursuant to this Contract shall, at the option of the State, become the State’s property, and Contractor shall be entitled to receive equitable fair compensation for such Deliverables. Regardless of the basis for the termination, the State shall not be obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.
- (3) If any such termination by the State is for cause, the State shall have the right to set-off against any amounts due Contractor the amount of any damages for which Contractor is liable to the State under this Contract or pursuant to law or equity.
- (4) Upon a good faith termination, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and materials provided under this Contract, and may further pursue completion of the Services under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

B. Termination Assistance

If the Contract (or any Statement of Work issued under it) is terminated for any reason before completion, Contractor agrees to provide for up to two-hundred seventy (270) calendar days after the termination all reasonable termination assistance requested by the State to facilitate the orderly transfer of such Services to the State or its designees in a manner designed to minimize interruption and adverse effect. Such termination assistance will be deemed by the parties to be governed by the terms and conditions of the Contract (notwithstanding its termination) other than any terms or conditions that do not reasonably apply to such termination assistance. The State shall compensate Contractor for such termination assistance at the same rates and charges set forth in the Contract on a time and materials basis in accordance with the Labor Rates indicated within Contractors pricing section. If the Contract is terminated by Contractor under **Section 20**, then Contractor may condition its provision of termination assistance under this Section on reasonable assurances of payment by the State for such assistance, and any other amounts owed under the Contract.

C. Reservation of Rights

Any termination of the Contract or any Statement of Work issued under it by a party shall be with full reservation of, and without prejudice to, any rights or remedies otherwise available to such party with respect to any claims arising prior to or as a result of such termination.

D. End of Contract Transition

In the event the Contract is terminated, for convenience or cause, or upon expiration, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of the Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 270 calendar days. These efforts shall include, but are not limited to, the following:



- (1) Personnel - The Contractor shall work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor shall allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by the Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors.
- (2) Knowledgeable Personnel. Contractor will make available to the State or a Third Party Provider knowledgeable personnel familiar with the operational processes and procedures used to deliver products and services to the State. The Contractor personnel will work with the State or third party to help develop a mutually agreeable transition plan, work to transition the process of ordering, shipping and invoicing equipment and services to the State.
- (3) Information - The Contractor agrees to provide reasonable detailed specifications for all Services needed by the State, or specified third party, to properly provide the services required under the Contract. The Contractor will also provide any licenses required to perform the Services under the Contract.
- (4) Software. - The Contractor shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services under the Contract. This shall include any documentation being used by the Contractor to perform the Services under the Contract. If the State transfers any software licenses to the Contractor, those licenses shall, upon expiration of the Contract, transfer back to the State at their current revision level.
- (5) Payment - If the transition results from a termination for any reason, reimbursement shall be governed by the termination provisions of the Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after Contract expiration that result from transition operations). The hourly rates or fixed price to be charged will be agreed upon prior to the work commencing.
- (6) Single Point of Contact. Contractor will maintain a Single Point of Contact (SPOC) for the State after termination of the Contract until all product and service obligations have expired.

E. Transition out of this Contract

- (1) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the Contractor agrees to perform the following obligations, and any others upon which the State and the Contractor agree:
 - (i) Cooperating with any contractors, vendors, or other entities with whom the State contracts to meet its telecommunication needs, for at least two hundred and seventy (270) days after the termination of this Contract;
 - (ii) Reserved.
 - (iii) Providing the State with all asset management data generated from the inception of this Contract through the date on which this Contract is terminated, in a comma-delimited format unless otherwise required by the Program Office;
 - (iv) Reconciling all accounts between the State and the Contractor;
 - (v) Allowing the State to request the winding up of any pending or ongoing projects at the price to which the State and the Contractor agreed at the inception of the project;
 - (vi) Freezing all non-critical software changes;
 - (vii) Notifying all of the Contractor's subcontractors of procedures to be followed during the transition out phase;
 - (viii) Assisting with the communications network turnover, if applicable;
 - (ix) Assisting in the execution of a parallel operation until the effective date of termination of this Contract



- (x) Answering questions regarding post-migration services;
 - (xi) Delivering to the State any remaining owed reports and documentation still in the Contractor's possession.
- (2) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:
- (i) Reconciling all accounts between the State and the Contractor;
 - (ii) Completing any pending post-project reviews.

2.703 LIQUIDATED DAMAGES

- A. The State and the Contractor hereby agree to the specific standards set forth in this Contract. It is agreed between the Contractor and the State that the actual damages to the State as a result of Contractor's failure to provide promised services would be difficult or impossible to determine with accuracy. The State and the Contractor therefore agree that liquidated damages as set out herein shall be a reasonable approximation of the damages that shall be suffered by the State as a result thereof. Accordingly, in the event of such damages, at the written direction of the State, the Contractor shall pay the State the indicated amount as liquidated damages, and not as a penalty. Amounts due the State as liquidated damages, if not paid by the Contractor within fifteen (15) days of notification of assessment, may be deducted by the State from any money payable to the Contractor pursuant to this Contract. The State will notify the Contractor in writing of any claim for liquidated damages pursuant to this paragraph on or before the date the State deducts such sums from money payable to the Contractor. No delay by the State in assessing or collecting liquidated damages shall be construed as a waiver of such rights.
- B. The Contractor shall not be liable for liquidated damages when, in the opinion of the State, incidents or delays result directly from causes beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not restricted to, acts of God, fires, floods, epidemics, and labor unrest; but in every case the delays must be beyond the control and without the fault or negligence of the Contractor.
- C. Liquidated damages will be assessed as follows:

For failure to sweep the net cash balance to BOI's bank account in a timely manner, the interest rate assessed will be the current federal fund rate (Custodian Contractor, see section 1.104.1.1.e).

2.704 RESERVED

2.705 SUSPENSION OF WORK

The Contract Administrator may order the Contractor, in writing, to suspend, delay, or interrupt all or any part of the work of this contract for the period of time that the Contract Administrator determines appropriate for the convenience of the Government.

If the performance of all or any part of the work is, for an unreasonable period of time, suspended, delayed, or interrupted (1) by an act of the Contract Administrator in the administration of this contract, or (2) by the Contract Administrator's failure to act within the time specified in this contract (or within a reasonable time if not specified), an adjustment shall be made for any increase in the cost of performance of this contract (excluding profit) necessarily caused by the unreasonable suspension, delay, or interruption, and the contract modified in writing accordingly. However, no adjustment shall be made under this clause for any suspension, delay, or interruption to the extent that performance would have been so suspended, delayed, or interrupted by any other cause, including the fault or negligence of the Contractor, or for which an equitable adjustment is provided for or excluded under any other term or condition of this contract.



A claim under this clause shall not be allowed:

- (1) For any costs incurred more than 20 days before the Contractor shall have notified the Contract Administrator in writing of the act or failure to act involved (but this requirement shall not apply as to a claim resulting from a suspension order); and
- (2) Unless the claim, in an amount stated, is asserted in writing as soon as practicable after the termination of the suspension, delay, or interruption, but not later than the date of final payment under the contract.

2.8 Changes, Modifications, and Amendments

2.801 APPROVALS

The Contract may not be modified, amended, extended, or augmented except by a writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing signed by the other party.

2.802 TIME EXTENTIONS

Time extensions for contract changes will depend upon the extent, if any, by which the changes cause delay in the completion of the various elements of performance as described in the statement of work. The change order granting the time extension may provide that the contract completion date will be extended only for those specific elements related to the changed work and that the remaining contract completion dates for all other portions of the work will not be altered. The change order also may provide an equitable readjustment of liquidated damages under the new completion schedule.

2.803 MODIFICATION

Purchasing Operations reserves the right to modify this contract at any time during the contract term. Such modification may include changing the locations to be serviced, additional locations to be serviced, method or manner of performance of the work, number of days service is to be performed, addition or deletion of tasks to be performed, addition or deletion of items, and/or any other modifications deemed necessary. Any changes in pricing proposed by the Contractor resulting from the proposed changes are subject to acceptance by the State. Changes may be increases or decreases. **IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATION.**

The State reserves the right to add an item(s) that is not described on the item listing and is available from the Contract vendor. The item(s) may be included on the Contract, only if prior written approval has been granted by Purchasing Operations.

2.804 AUDIT AND RECORDS UPON MODIFICATION

DEFINITION: records includes books, documents, accounting procedures and practices, and other data, regardless of whether such items are in written form, electronic form, or in any other form

Contractor shall be required to submit cost or pricing data with the pricing of any modification of this contract to the Contract Administrator in Purchasing Operations. Data may include accounting records, payroll records, employee time sheets, and other information the state deems necessary to perform a fair evaluation of the modification proposal. Contract Administrator or authorized representative of the state shall have the right to examine and audit all of the contractor's records, including computations and projections, related to:

1. The proposal for modification;
2. The discussions conducted on the proposal, including those related to negotiation;
3. Pricing of the modification; or
4. Performance of the modification.

Contractor shall make available at its office at all reasonable times the materials described in the paragraphs above.



If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement.

2.805 CHANGES

- (a) The Contract Administrator may, at any time, without notice to the sureties, if any, by written order designated or indicated to be a change order, make changes in the work within the general scope of the contract, including changes:
 - (1) In the specifications (including drawings and designs);
 - (2) In the method or manner of performance of the work;
 - (3) In the Government-furnished facilities, equipment, materials, services, or site; or
 - (4) Directing acceleration in the performance of the work.

- (a) Any other written or oral order (which, as used in this paragraph (b), includes direction, instruction, interpretation, or determination) from the Contract Administrator that causes a change shall be treated as a change order under this clause; Provided, that the Contractor gives the Contract Administrator written notice stating:
 - (1) The date, circumstances, and source of the order; and
 - (2) That the Contractor regards the order as a change order.

- (b) Except as provided in this clause, no order, statement, or conduct of the Contract Administrator shall be treated as a change under this clause or entitle the Contractor to an equitable adjustment.

3.515 PLACE OF SUBCONTRACTING

Indicate below **ALL** work to be subcontracted under this agreement (use additional attachment if necessary; estimates are acceptable):

Description of Work to be sub-contracted	Percent (%) of total contract value to be sub-contracted	Sub-contractor's name and principal place of business (City and State)
Proxy Services	100%	Automatic Data Processing (ADP) 1 ADP Boulevard Roseland, NJ 07068



Appendix A -- Bureau of Investments CURRENT TECHNICAL ENVIRONMENT

Servers

- Microsoft Windows 2000 network operating system
- Disk array storage systems
- Dual gigabit ethernet connection to switch
- Microsoft SQL server database engine
- Microsoft Exchange 2000 E-mail server
- HP Jet Direct print servers for HP8100 and HP8500 network printers
- Dell Power Vault 132T Tape Library system

Network

- 100% switched ethernet environment
- Redundant Gigabit Ethernet backbone
- 100 Megabit/1 Gigabit Ethernet to the workstation
- Firewall with T1 connection to the Internet

Workstations

- Pentium III 800 Mhz – Pentium 4 2.3 Ghz workstations
- 256 MB to 512 MB memory
- Microsoft Windows 2000/XP operating system
- 100 megabit/1 gigabit network connection
- 17" to 22" high resolution monitors

KEY FEATURES OF INVESTMENT ACCOUNTING PROCESS

- Account for individual investments of agencies other than retirement systems
- Pool accounting for investment of retirement systems
- Account for investments and ownership of investments
- Equity basis (cost) of accounting used for limited partnerships
- Fair value accounting --record unrealized gains or losses daily on daily pools, monthly on monthly pools
- Project cash available in retirement systems for investment
- Reconcile BOI's subsidiary system to State's general ledger and custodian's records
- Calculate performance and report on performance
- DTCC clearing
- Accrue income daily
- Prepare monthly, quarterly, and annual reports



OVERVIEW OF BOI DAILY ACTIVITIES

- Trades are initiated, confirmed, and affirmed
- Project cash at the beginning of day for investment at the end of the day
- Computer systems updated with purchases and sales
- Price individual securities daily
- NAV of daily funds is calculated daily
- Activity (earnings, ownership changes, unrealized gains & losses) is recorded in state's accounting system
- Income accrued daily
- Reconcile to custodian's records

LIST OF POOLED INVESTMENT FUNDS

(current list, others may be added)

POOLED INVESTMENT FUNDS		NON-POOLED TRUST & AGENCIES	
<u>Fund #</u>	<u>Fund Name/Description</u>	<u>Fund #</u>	<u>Fund Name/Description</u>
100	Government Securities	MEW4	State Misc
101	Corporate Securities	MEY0	Mackinac Bridge Authority
102	Large Cap-Growth	MEY5	Lottery
103	Large Cap-Value	MEY6	LRS
104	Small Cap Growth (A) Delaware	MEY7	MET II Plan B
105	Small Cap Growth (B) Putnam	MEY8	MET I Plan A
106	Equity S&P 500 Index	MEY9	Lottery-Big Game
107	Equity S&P Midcap Index		
108	Credit Suisse Asset Management		
109	Equity International Investments		
110	Real Estate Investments		
111	Alternative Investments		
112	Short Term Investments		
113	S&P 600 Small Cap		
114	Strategic Fund		
115	Putnam Small Cap Value		
116	NorthPointe Small Cap Value		
117	Fisher Small Cap Value		

PLAN PARTICIPANTS

- Michigan Public School Employees Retirement Fund
- Michigan State Employees Retirement System
- Michigan State Police Retirement System
- Michigan Judges Retirement System



Appendix B --Instructions

Appendix B is a detailed list of the investment accounting and trading requirements. Each requirement is coded with a number (ID).

Vendor Software

The vendor must indicate if its software will "Support", "Does not support" or "Will modify to support" for each requirement. The response will be used to evaluate how the proposed system meets each stated requirement.

1. A "**Support**" response will be the vendor's indication that functionality in its accounting system fully supports the requirement.
2. A "**Does not support**" response will be the vendor's indication that the functionality in its software does not support the requirement and that the vendor is not proposing to make modifications to support the requirement.
3. A "**Will modify to support**" response will be the vendor's indication that its systems do not currently support or fully support the requirement; however, the vendor will make the modifications to its systems to fully support the requirement.

Reference

The vendor can use this column to reference any supporting documents that support their proposal

Comments/Reference

The vendor can use this column to identify any comments that support their proposal or refer to addendums that are attached.

Note for ID 6.16 -- Equity Swap Derivative

An equity swap derivative agreement is comprised of a Quanto (hedged to US currency) and a Local (subject to FX currency fluctuations) segment. Each segment consists of three components, a Synthetic Future, a Synthetic Bond, and a Fixed Income Security. The components are linked, valued, evaluated, and reported as a single security and reported in US dollars.

Swap derivatives receive interest from the Fixed Income LIBOR Security and exchange swap interest payments according to the terms of the swap agreement. Generally, the above transactions occur on a quarterly basis and are considered income transactions. Interest received from the fixed income security bond is posted to that security. The swap interest payment received or paid is posted to the Synthetic Bond. Swaps are usually held for three years at which time they expire. At the expiration of the swap agreement, an equity payment and a final swap interest payment is exchanged between the counterparties. The equity payment is accounted for as a gain/loss transaction and the final swap interest payment is accounted for as an income transaction.

Monthly transactions include accruing interest on the fixed income component and marking to market pricing of the Synthetic Future and the Fixed Income Security. The Synthetic Bond component is not priced to market.



**Appendix B
Investment Accounting Requirements**

ID	Accounting Basis	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
	Provide the capability to account for and track securities and other investments according to the following evaluation methods as defined by user:				
1.1	Average Cost	Yes			
1.2	Equity basis	Yes			
1.3	Fair value	Yes			
1.4	Accommodate field sizes at least 12 digits to the left of the decimal point (999,999,999,999.99) and at least 5 to the right of the decimal point (999,999,999,999.99999) and use a comma thousands separator.	Yes			

ID	Accounting - cash management	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
2.1	Provide the capability to determine trade date and settlement date cash on a real time basis	Yes			
2.2	Provide the capability to project cash flows, including interest and dividends, maturities, principal paydowns and other security actions	Yes			
2.3	Provide the capability, in conjunction with the cash management process, to report maturing short-term investment information into the cash position	Yes			

ID	Accounting - pooled funds (unitized accounting)	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
	Daily Performance measurement by:				
3.1	CFA INSTITUTE compliant methodologies	Yes			
3.2	Multi-level analysis (security to pool/strategy)	Yes			
3.3	Comparisons with external universes	Yes			
	Daily real time cash management by:				
3.4	Trade date cash	Yes			
3.5	Settlement date cash	Yes			
3.6	Modeling --- capable of supporting multi-level modeling and analytics to analyze and evaluate individual security attributes, security class attributes, investments by analyst, investments by manager, investments by fund, or any other recognized segment and perform "what if" scenarios.	Yes			
3.7	Capability to generate income and expense allocations.	Yes			

ID	Portfolio Valuation	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
4.1	Provide security pricing for portfolios/strategies at designated intervals for BOI publicly traded securities.	Yes			
4.2	Provide alternative pricing (Matrix, etc.) for non-publicly traded securities and private placements.	Yes			



ID	System Requirements	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
5.1	Provide dedicated telephone line with scalable bandwidth to ensure immediate on-line access to investments and to support daily file transfer process.	Yes			
5.2	Data Exchange				
5.2.1	Create and transfer daily holdings, cash and investment transaction files to include data elements for BOI's investment accounting system.	Yes			
5.2.2	File electronically transferred by 5:30 a.m. and available on-line by 5:30 a.m. ET the next day.	Yes			
5.3	Security				
5.3.1	Provide for adequate audit trails with time, date, and author stamps	Yes			
5.3.2	Provide the capability to define an access category relating to groups of users (e.g. members of a management or processing class)	Yes			
5.3.3	Report attempts of unauthorized system access or use.	Yes			
5.4	The contractor is expected to maintain adequate backup procedures in case of system failure. The contractor's backup and recovery procedures should include:				
5.4.1	Daily backup of files and systems.	Yes			
5.4.2	Backup communication solutions	Yes			
5.4.3	Written and tested recovery procedures.	Yes			
5.4.4	Safe storage of backup media.	Yes			
5.4.5	Disaster recovery plans and "hot site". The location (city, state) must be stated in the bid response.	Yes			
5.4.6	Regular testing of backup "hot site".	Yes			

ID	Investment Types	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
	Capability to support investment accounting for the following investment types:				
	Cash and money market securities				
6.1	Agency Notes	Yes			
6.2	Bankers Acceptance	Yes			
6.3	Certificates of Deposit	Yes			
6.4	Prim Commercial Paper	Yes			
6.5	Repurchase Agreements	Yes			
6.6	Reverse Repos	Yes			
6.7	Time Deposits	Yes			
6.8	Treasury Bills	Yes			
6.9	Synthetic Cash (Short Future, Equity Index, and Cash)	Yes			
	Equities				
6.10	Common Stock	Yes			
6.11	American Depository Receipts/American Depository Securities	Yes			
6.12	Preferred Stock	Yes			
	Derivatives				
6.13	Futures	Yes			
6.14	Options	Yes			
6.15	Synthetic Equities (Long Future, Dedicated Note and Cash)	Yes			
6.16	Equity Swap Derivative -- see Note on instructions page	Yes			
6.17	Mutual Funds	Yes			
6.18	Rights and Warrants	Yes			
	Alternative Investments				
6.19	Venture Capital	Yes			
6.20	Limited Partnerships	Yes			
6.21	LBO Limited Partnerships	Yes			
6.22	Direct Investments	Yes			
6.23	Other				



ID	Investment Types -- continued	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
	Fixed Income				
6.24	Agency Bonds	Yes			
6.25	Asset-Backed Securities	Yes			
6.26	Callable and Puttable Bonds	Yes			
6.27	Collateralized Mortgage Obligations	Yes			
6.28	Convertible Bonds	Yes			
6.29	Convertible Preferred	Yes			
6.30	Corporate Bonds	Yes			
6.31	Export-Import Bank	Yes			
6.32	Government Agency	Yes			
6.33	Guaranteed Investment Contracts	Yes			
6.34	Banks for Cooperative	Yes			
6.35	Federal Farm Credit Bank	Yes			
6.36	Federal home Loan Bank	Yes			
6.37	Federal Intermediate Credit Bank	Yes			
6.38	Federal Land Bank	Yes			
6.39	FHLMC Mortgage Backed Securities	Yes			
6.40	FNMA Mortgage Backed Securities	Yes			
6.41	FNMA Debentures	Yes			
6.42	GNMA Mortgage Backed Securities	Yes			
6.43	Miscellaneous U.S. Government Backed Securities	Yes			
6.44	Inter-America Development Bank	Yes			
6.45	Interest Only (IO) and Principal Only (PO) Securities	Yes			
6.46	Medium Term Notes	Yes			
6.47	Pay In-Kind Corporate Securities	Yes			
6.48	Private Placement Bonds	Yes			
6.49	REMIC's	Yes			
6.50	Securities with odd first or last coupons	Yes			
6.51	Securities with Sinking Funds	Yes			
6.52	Securities with stepped coupons	Yes			



ID	Investment Types -- continued	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
	Fixed Income - continued				
6.53	Synthetic Guaranteed Investment Contracts	Yes			
6.54	Synthetic Fixed Income	Yes			
6.55	Treasury Bonds	Yes			
6.56	Treasury Notes	Yes			
6.57	Treasury STRIPS	Yes			
6.58	Variable Rate Securities	Yes			
6.59	Yankee Bonds	Yes			
6.60	Zero Coupon Bonds (Government & Corporate)	Yes			
	TIPS				
	International Investments				
	Short Term				
6.61	Foreign Exchange - Forward Contracts	Yes			
6.62	Foreign Exchange - Spot Contracts	Yes			
6.63	Euro CD's	Yes			
	Fixed Income				
6.64	Euro Bonds	Yes			
6.65	Foreign Bonds	Yes			
6.66	Equities	Yes			
6.67	Mutual Funds (EAFE)	Yes			
6.68	Derivatives	Yes			
6.69	Foreign Depository Receipts/Foreign Depository Receipts	Yes			
	Mortgages				
	FHA				
6.70	FHA Multi-Family Cash Back	Yes			
6.71	FHA Multi-Family Debentures	Yes			
6.72	HEW Hospitals	Yes			
6.73	Farmers Home Administration	Yes			
	Conventional				
6.74	Conventional Multi-Family	Yes			
6.75	Conventional - Commercial	Yes			
6.76	Private Mortgage Insured-Single Family Block	Yes			
6.77	Conventional-Mortgage Insurance Certificate	Yes			

ID	Investment Types -- continued	Vendor Solution			Comment/ Reference
		Supports Requirement	Does not Support	Will Modify to Support	
	Real Estate				
6.78	Direct Ownership	Yes			
6.79	Separate Accounts	Yes			
6.80	Real Estate	Yes			
6.81	Commingled Funds	Yes			
	Other				
6.82	DRIPS - Dividend Reinvestment Plans	Yes			



Appendix C – Instructions

Appendix C is a detailed list of the investment accounting and trading requirements. Each requirement is coded with a number (ID).

Vendor Software

The vendor must indicate if its software will "Support", "Does not support" or "Will modify to support" for each requirement. The response will be used to evaluate how the proposed system meets each stated requirement.

1. A "**Support**" response will be the vendor's indication that functionality in its accounting system fully supports the requirement.
2. A "**Does not support**" response will be the vendor's indication that the functionality in its software does not support the requirement and that the vendor is not proposing to make modifications to support the requirement.
3. A "**Will modify to support**" response will be the vendor's indication that its systems do not currently support or fully support the requirement; however, the vendor will make the modifications to its systems to fully support the requirement.

Reference

The vendor can use this column to reference any supporting documents that support their proposal

Comments/Reference

The vendor can use this column to identify any comments that support their proposal or refer to addendums that are attached.



**Appendix C
Investment Accounting Requirements**

ID	Performance Measurement	Vendor Solution			Comment/ Reference
		Support with Requirement	Does not Support	Will Modify to Support	
	Capability to measure security/class/portfolio performance measurement on user defined intervals, i.e.:				
7.1	Daily	Yes			
7.2	Weekly	Yes			
7.3	Monthly	Yes			
7.4	Month-to-Date	Yes			
7.5	Quarter-to-Date	Yes			
7.6	Year-to-Date (Calendar of Fiscal)	Yes			
7.7	Capability to download data required to complete the performance measurement exercise for transmission to 3rd party performance measurement consultants.	Yes			
7.8	Capability to comply with and utilize CFA INSTITUTE compliant methodologies for performance analysis	Yes			
7.9	Capability to perform multi-level performance measurement analysis (from individual securities, classes of securities, analyst, manager, portfolios, funds, or any recognized segment)	Yes			
7.10	Compare performance measurement results with external benchmarks	Yes			



ID	Performance Measurement	Vendor Solution			Comment/ Reference
		Support with Requirement	Does not Support	Will Modify to Support	
	Capability to analyze portfolios, security classes or any other recognized segment and perform "what if" scenarios based on security, class or other attributes including:				
7.11	Yield	Yes			
7.12	Quality	Yes			
7.13	Duration	Yes			
7.14	Convexity	Yes			
7.15	Calculate and report on portfolio characteristics (Duration, coupon, sector, Beta, P/E, EPS, Growth, etc.)	Yes			
7.16	Perform "what if" scenarios to analyze the effect of projected trades on portfolio yields.	Yes			
7.17	Maintain coding and recommendation history	Yes			
	Capability to analyze and compare various security attributes and perform commonly utilized calculations, such as:				
7.18	Yield to maturity	Yes			
7.19	Yield to market	Yes			
7.20	Convexity	Yes			
7.21	Duration	Yes			
7.22	Quality analysis	Yes			
7.23	Support bond calculator and calendar calculator features. The bond calculator performs calculations such as yield-to-maturity, yield-to-call, and internal rate of return. The calendar calculator performs calculations on a full range of accrual basis, such as actual/actual, 30/360, or any of the other industry recognized basis.	Yes			
7.24	Support a global database with fundamental, historical, company, industry, index country data, and forecasting	Yes			



APPENDIX D– Chart of Investment Accounts
(In millions)

	Total Assets	No. of Assets	Buy/Sell Trans	Short Term	Treas Bills	Treas Bonds	Treas Strips	Treas Agency	Treas MBS	Corp Bonds	Equity	Private Equity	Mutual Fund
SMRS													
Government Securities	3,998	705		274		36	357	2,443	888				
Corporate Securities	4,129	140		191						3,938			
Large Cap-Growth	7,892	107		259							7,633		
Large Cap-Value	7,874	88		564							7,310		
Delaware SM Cap Growth	144	80									144		
Putnam SM Cap Growth	69	170									69		
Credit Suisse Asset Mgmt	41	21		5							36		
Putnam Sm Cap Value	55	250									55		
Northpointe SM Cap Value	55	115									55		
Fisher SM Cap Value	55	76									55		
S & P 500 Index	7,138	507		3							7,135		
S & P 400 Midcap Index	954	408		2							952		
S & P 600 Index	134	6		1							133		
Eq International Invest	5,554	265		26							5,528	*	
Real Estate Invest	3,844	37		541									
Alternative Invest	5,786	252		100								3,303	
Short Term Invest	1,421	58		1,421								5,686	
TOTAL SMRS	49,143	3,285		3,387		36	357	2,443	888	3,938	29,105	8,989	
Trust & Agencies	496	173						245	13	96			141
Legislative Ret System	174	225									71		103
State Lottery Fund	550	91					550						
Michigan Education Tr A	577	52					17	272	28	260			
Michigan Education Tr	275	37					14	93	3	65			100

TERMS AND CONDITIONS

CONTRACT NO. 071B6200315



B													
Mackinac Bridge Auth	24	14		9			4	11					
TOTAL	51,239	3,877	25,000	3,396	1	36	942	3,064	932	4,359	29,176	8,989	344

*International Equities are Equity SWAP Derivatives as defined in Appendix B1.



Appendix E

**State Street Bank and Trust Company
Fee Schedule
For
State of Michigan Department of Treasury
Effective March 1, 2006 through June 30, 2011**

Annual flat fee of \$900,000 for the custody of the assets, performance measurement, compliance services, on-line applications and the cost of the frame relay.

Portfolio Trading Charges

No charge for DTC or FED settlements, physical trades, options, futures, mutual fund, or interfund transfers. Global trades are based on the following matrix:

	Mature Markets (A)	Maturing Markets (B)	<u>Emerging Markets</u> (C)	
Transactions (\$)	25	60	100	
Holding (bps)	1.25	5.25	45	
	Australia	Hong Kong	Argentina	Mali
	Austria	Indonesia	Bahrain	Mauritius
	Belgium	Malaysia	Bangladesh	Morocco
	Cedel	Mexico	Benin	Namibia
	Canada	South Africa	Bermuda	Nigeria
	Denmark	Singapore	Bolivia	Niger
	Euroclear	Thailand	Botswana	Oman
	Finland		Brazil	Pakistan
	France		Bulgaria	Palestine
	Germany		Burkina Faso	Panama
	Ireland		Cayman Islands	Peru
	Italy		Chile	Philippines
	Japan – Fuji		China (Shanghai)	Poland
	Japan – Sumitomo		China (Shenzhen)	Portugal
	Luxembourg		Columbia	Puerto Rico
	Netherlands		Croatia	Qatar
	New Zealand		Cyprus	Romania
	Norway		Czech Republic	Russia
	Spain		Ecuador	Senegal
	Sweden		Egypt	Slovak Republic
	Switzerland		Estonia	Slovenia
	Trinidad & Tobago		Ghana	South Korea
	United Kingdom		Greece	Sri Lanka
			Hungary	Swaziland
			Iceland	Taiwan
			India	Togo
			Israel	Tunisia
			Ivory Coast	Turkey
			Jamaica	Uganda
			Jordan	Ukraine
			Kazakhstan	Uruguay
			Kenya	United Arab Emirates
			Latvia	Venezuela
			Lebanon	Vietnam
			Lithuania	Zambia
				Zimbabwe

*Based on the month-end net asset value in U.S. dollars

Short Term Investment Fund

A usage charge of 12 basis points per month will be netted out of the daily yield.

**Third Party Lending Fee Schedule****U.S. Lending Charges**

Depository Transactions:

Buy, sell or maturity	\$9.00
Loans or Returns	\$9.00

Physical (Non-Depository) Transactions:

Buy, sell or maturity	\$25.00
Loans or Returns	\$25.00

Wire Transfers	\$7.50
----------------	--------

Inter-account transfer per portfolio	\$15.00
--------------------------------------	---------

**Bulk Lending Loans or Returns	TBD
---------------------------------	-----

(Note: processing of bulk lending transactions requires pre-approval)

International Charges**Mature Market**

Loans or Returns	\$25.00
Non Cash Collateral Receipt and Returns	\$25.00
Cash Collateral Receipt and Return	\$25.00

Maturing Market

Loans or Returns	\$45.00
Non Cash Collateral Receipt and Returns	\$45.00
Cash Collateral Receipt and Return	\$45.00

Emerging Market

Loans or Returns	\$70.00
Non Cash Collateral Receipt and Returns	\$70.00
Cash Collateral Receipt and Return	\$70.00

**Bulk Lending Loans or Returns	TBD
---------------------------------	-----

(Note: processing of bulk lending transactions requires pre-approval)

Other Charges

Foreign Exchange Transaction Processing (No charge if State Street FX)	\$25.00
SPO Transaction Processing	\$15.00

U.S. Collateral Account Total Net Assets	.75 basis point
Non US Collateral Account Total Net Assets	6 basis points



Global Third Party Set Up Fee – per relationship	\$2,500
For new vendor set ups	
Technology Integration Services	
For new vendor set up	\$1200/day (maximum 5 days)
Costs to be assumed by lender	\$250.00/hour customization
Include software integration, testing and maintenance.)	

All other out of pockets including registration, stamp duties, and associated transfer fees will be assumed by the lender or agent designated by Lender.

*250.00/hour customization charges only apply for special system development requests made by Lender.

<i>Matured Markets</i>	<i>Emerging Markets</i>	Morocco
Australia	Argentina	Namibia
Austria	Bahrain	Nigeria
Belgium	Bangladesh	Oman
Cedel	Bermuda	Pakistan
Canada	Bolivia	Peru
Denmark	Botswana	Philippines
Euroclear	Brazil	Poland
Finland	Bulgaria	Portugal
France	Chile	Puerto Rico
Germany	China	Romania
Ireland	Colombia	Russia
Italy	Croatia	Slovak Republic
Japan-Fuji	Cyprus	Slovenia
Japan-Sumitomo	Czech Republic	Sri Lanka
Netherlands	Ecuador	Swaziland
New Zealand	Egypt	Taiwan
Norway	Estonia	Trinidad & Tobago
Spain	Ghana	Tunisia
Sweden	Greece	Turkey
Switzerland	Hungary	Ukraine
United Kingdom	Iceland	Uruguay
Blended Mature	India	Venezuela
<i>Maturing Markets</i>	Israel	Zambia
Hong Kong	Ivory Coast	Zimbabwe
Indonesia	Jamaica	Blended Emerging
Malaysia	Jordan	
Mexico	Kenya	
South Africa	South Korea	
Singapore	Latvia	
Thailand	Lebanon	
Blended Maturing	Lithuania	
	Mauritius	

All other out of pockets including registration, stamp duties, and associated transfer fees will be assumed by the lender or agent designated by Lender.

*250.00/hour customization charges only apply for special system development requests made by Lender.

This charge does not apply to the implementation and technology integration associated with new vendor set-ups, except to the extent that such set-ups contain special system development requests made by Lender or their agents



<i>Matured Markets</i>	<i>Emerging Markets</i>	Morocco
Australia	Argentina	Namibia
Austria	Bahrain	Nigeria
Belgium	Bangladesh	Oman
Cedel	Bermuda	Pakistan
Canada	Bolivia	Peru
Denmark	Botswana	Philippines
Euroclear	Brazil	Poland
Finland	Bulgaria	Portugal
France	Chile	Puerto Rico
Germany	China	Romania
Ireland	Colombia	Russia
Italy	Croatia	Slovak Republic
Japan-Fuji	Cyprus	Slovenia
Japan-Sumitomo	Czech Republic	Sri Lanka
Netherlands	Ecuador	Swaziland
New Zealand	Egypt	Taiwan
Norway	Estonia	Trinidad & Tobago
Spain	Ghana	Tunisia
Sweden	Greece	Turkey
Switzerland	Hungary	Ukraine
United Kingdom	Iceland	Uruguay
Blended Mature	India	Venezuela
<i>Maturing Markets</i>	Israel	Zambia
Hong Kong	Ivory Coast	Zimbabwe
Indonesia	Jamaica	Blended Emerging
Malaysia	Jordan	
Mexico	Kenya	
South Africa	South Korea	
Singapore	Latvia	
Thailand	Lebanon	
Blended Maturing	Lithuania	
	Mauritius	



APPENDIX F

INFORMATION REQUIRED FROM MASTER TRUST AND MASTER CUSTODY SERVICES BIDDER (S)**A. Custody - Reporting**

1. Describe your organization's accounting system (trade date or settlement date, accrual or cash basis). Do asset valuations and transaction statements reflect pending transactions? Is accrued income included in asset valuations? Which, if any, transactions are not accrued?

The core of State Street's accounting and custody operations is our Global Horizon system—the most sophisticated integrated global and domestic accounting system in the industry. Global Horizon's single system environment serves institutional customers around the world with online, real-time processing in their local time zones. Our multicurrency portfolio and general ledger system has electronic trade capture capabilities and offers flexible, rules-based accounting methods to support the needs of our customers. Global Horizon is a trade date, accrual based accounting system. Some settlement date reporting is available through our information delivery platform. Asset valuations and transaction statements do reflect pending transactions and accrued income is included in asset valuations. Global Horizon accrues all eligible securities.

2. Does your organization have fully integrated (both domestic and global) reporting?

Yes. Global Horizon is the most sophisticated *integrated* global and domestic accounting system in the industry. The general ledger is updated in both local and base currencies.

- 3 Provide a schedule of all accounting reports and include samples. What on-line reporting options are available? What types of user customization are available and how long does it take?



Please refer to the following standard reports available to our customers:

Report Types	Brief Description
Computations of Net Asset Value	This report is the final calculation of the working trial balance for the specified accounting period, and shows the computation of the total net asset value of the fund.
Working Trial Balance	This report summarizes activity in the fund for the specified accounting period. The working trial balance, maintained on our interactive general ledger system, is a balance sheet for the fund, displaying asset, liability, and capital accounts (i.e., cost, cash, receivables, payables, expenses, income, and contributions).
Account Position Appraisal	The purpose of this report is to reflect an appraisal of all securities held in a single portfolio by a specific investment manager. It categorizes holdings by major and minor industry sectors within three asset classes (i.e., cash equivalents, equities, and fixed income).
Cash Transaction Reports	This report shows a schedule of receipts and disbursements for the month, on a day-to-day basis. Transactions are categorized by type (e.g., purchases, sales, dividends received, interest received, etc.). An ending cash balance is shown for each day of the month. Activity is summarized by category on the final page of the report.
Base Equivalent Cash Statement	This report reflects the local activity from the Cash Transaction Statement which has been converted into the base currency of the customer for a specific period. The local currency being converted is indicated in the top left hand corner of each report.
Portfolio Purchase Report	This report shows all securities bought, canceled and adjusted during the month and is divided into three distinct investment classifications: fixed income, common and preferred, and short-term investments.
Portfolio Sales Report	This report is similar to the Purchases Report with the exception that it reflects taxes (SEC), interest sold, and proceeds.
Foreign Exchange Activity Report	This report reflects contracts to purchase or sell one currency for another currency.
Summary Realized Gain / Loss Report	This report shows the proceeds, average cost, and average gain/loss realized on the sale of a given security during the accounting period.
Open Trades Report	This report reflects securities traded but not yet settled. Each month, these securities, for accounting purposes, are carried as payables and/or receivables. Open transactions are categorized as purchases, sales, principal pay-ups, principal paydowns, or corporate actions.
Receivables Reports	Comprised of Dividend, Interest and Tax Reclaim, this report shows the local and base receivables and the unrealized, by currency, gain/loss.
Plan Accounting	Separate accounting for multiple plans within one trust.

Please refer to our Sample Report Package enclosed with this response.

All of these reports are available on-line.

Our information delivery platform allows customers to access and download all accounting files containing portfolio accounting and performance data to their PC in a format readable by other commercial software such as Microsoft Excel and Lotus for Windows. Our information delivery platform allows users a single point of entry into the many views of data created by our diverse systems and applications. It is designed to run from a web browser and performs well across low-speed data lines or corporate high-speed backbones. It also offers users a flexible toolset, including ad hoc query capabilities, custom graphics, report design and scheduling capabilities.

Customers can view, print or download data related to the following services:

**Accounting**

Accounting data is refreshed nightly and intraday from Global Horizon and provides access to a wide variety of accounting information such as Cash Transactions, Positions, Purchase & Sales, Foreign Exchange Activity and Earned Income. Customers can customize reports or query data to match any format required for analysis.

Plan Accounting

Plan Accounting provides an aggregate view of income from a group of portfolios or funds and distributes the income through the trust structure among a number of plans that share the assets.

Participant Benefits

Participant Benefits provides information about payments made to participants in a customer's plan. Customers can request a funding summary at the plan level or individual level.

Performance & Analytics

Performance and Analytics provides all aspects of the performance measurement calculation and analysis process. Customers can view information on rates or return and investment characteristics online. Monthly report packages and related data components are available.

Securities Lending

This is a specialized subscription that allows customers to track every position on loan, collateral amounts and exposure to borrowers. The information reflects the loan position at the close of the prior day and can be customized for fund groupings.

Investment Manger Compliance Reporting

Charles River Compliance allows customers to monitor portfolio holdings for compliance with their investment guidelines on a post-trade, pre-settlement basis.

Charles River can perform tests at any desired level – security, portfolio, trust, or composite – for a wide range of criteria including asset mix, asset type, benchmarks, quality ratings, duration, concentration restrictions, and leverage restrictions.

Charles River features unlimited user access, user training and documentation, access to compliance analysts and fully automated reporting capabilities.

CApTAIN[®]

The Corporate Action Tracking and Interactive Network subscription provides a secure means of communicating corporate action notifications and responses. Customers receive notifications and send State Street appropriate responses.

NAVigator[®]

NAVigator[®] provides same-day pricing capability that brings together fund/portfolio holdings, relative exchange rates, and pre-selected (customer-driven) vendor prices to calculate the fund's net asset value.

CustodyNet[®]

CustodyNet[®] provides real-time access to our core custody system with multi-view capabilities and flexible formats for summary and detail information on trade activity, positions and corporate actions, whether trading in a single market or in many markets around the world.

**Global Market Information**

Global Market Information (GMI) provides access to online editions of *The Guide to Custody in World Markets*, *The Global Navigator* and *Global Market Network Bulletins*, as well as other global market reference materials. The information on GMI is updated regularly, providing timely market news and custody information on the markets covered by State Street's subcustodian services network.

Instruct

Instruct provides the ability to capture, verify and process various instruction types and provides a number of security features through user entitlements, industry standard encryption protocols and multiple tiers of user authentication requirements. Instruct provides post-trade, pre-settlement information for accounting and custody updates.

Investment Manager

Investment Manager (Global Cash) provides cash information for an advisor. The information available includes current day activity and forecast information.

Market Summary Information

Market Summary Information provides a written synopsis of performance measurements, key world events and a list of index returns representing the major markets and asset classes.

SL PerformanceAnalyzer[®]

SL PerformanceAnalyzer[®] allows customers to evaluate securities lending income, adjusted for the level of risk taken by using well-established statistics principles including Value-at-Risk (VaR).

State Street Universe[®]

State Street Universe[®] offers comparative universe information for portfolios and plans of similar structures.

VaR Calculator

VaR Calculator, jointly developed with RiskMetrics, utilizes Value-at-Risk (VaR) methodology to measure portfolio risk.

Data is available on our information delivery platform 24/7/365 and is real-time or current as of the close of the previous business day.

4. How often are the reports produced? Are the reports available as an extract in TXT, CSV, XLS or other standard formats?

Reports are available daily, monthly, quarterly or yearly. Our information delivery platform allows customers to access and download all accounting files containing portfolio accounting and performance data to their PC in a format readable by other commercial software such as Microsoft Excel, Adobe Acrobat, and HTML.

5. How soon after accounting periods are fully audited reports available? How soon after month-end are month-end and quarterly reports available?

The full integration of our Global Horizon system enables us to process transactions as they occur. Automated checks and balances are built in, which enables our portfolio accountants to operate in an exception based environment and accelerates the general ledger closing process.



We tailor our month-end close process to best meet the requirements of our customers. For the State, we provide fully audited reports for the daily priced funds by the 2nd business day, for the monthly strategies we provide fully audited reports by the 7th business day. The primary driver in this process is the availability of market prices for private placement and thinly traded securities. For these security types, we have to wait for the State to provide us with the price to use for reporting purposes. The audited reports are available online, in hard copy format, in CD format, and via electronic transmission to the State's accounting system.

6. What steps are taken to ensure the accuracy of client reports? Who is responsible for ensuring accuracy? Does the Account Representative sign and certify reports? What internal audit procedures are in place to assure that the accounting data is accurate?

We ensure accuracy of information through an error detection process that is built into Global Horizon, our custody, cash and accounting system. Transactions entered into Global Horizon pass a series of technological edits to ensure accuracy and settlement. Each portfolio is balanced and reconciled on a daily basis to ensure that all trades flowed through the system.

To further ensure reporting accuracy and timeliness, we have implemented the **Client Service Workstation**—a tool that enables our staff to execute audits of transaction-related information that is sourced from Global Horizon on a real-time basis. The Client Service Workstation automates the data verification, reasonability and reconciliation process daily on a transaction-by-transaction basis, allowing staff to focus on exception items and data analysis. Benefits translate into accurate accounting information on a daily basis and a faster period close. This quality control procedure also verifies input and reconciliation of output. This audit is an integrated part of our general ledger accounting system.

The following is a list of automated audits:

- Price Tolerance
- Price Consistency
- Cost and Share Proof
- Cost of Investments Proof
- Pending Foreign Exchange Proof
- Open Trades Proof
- Income Activity Proof
- Trial Proof
- Cash Proof
- Payables/Receivables Proof
- Initial Income Verification
- Realized Gain/Loss Proof

State Street offices worldwide use our Client Service Workstation to facilitate consistent service delivery.

In addition to these automated checks, our accounting team also manually reviews reports prior to mailing to customers. If an error is discovered in either the daily audit or monthly reconciliation with the investment managers, the revised information is immediately corrected or reversed in Global Horizon. All reversals and corrections are shown in the monthly reports.

7. Can your organization value and report on options and futures instruments? What capabilities and limitations does your organization have in this area?

Yes. State Street's Derivatives Workstation provides real-time investment accounting for derivative instruments in an accurate, flexible, and timely manner. Services include:



- Security master data for the entire universe of exchange-traded derivatives
- Pricing and same day valuation
- Historical prices for back-dated pricing of late trades
- Primary and alternate pricing sources
- Valuation at the tax lot level
- On-demand real-time revaluation due to price adjustments or late trades
- Specialized valuations for Australian and New Zealand Exchange derivatives
- Automatic calculation of daily wire amounts for all currencies and brokers
- Margin account tracking at brokers

To facilitate integrated customer reporting and valuations, derivatives processing is fully integrated with Global Horizon on a real time basis.

Futures Accounting

Once a futures contract has been initiated, an initial margin deposit of collateral is entered into Global Horizon's general ledger. On a daily basis, the mark to market for variation margin account is adjusted for changes between the market value of the contracts on the current day and the previous day. The offset to the entry for variation margin is an unrealized gain or loss recorded on the funds' records.

When the contract is closed out, a final variation margin payment based upon the TD-1 value (net of fees) is recorded and a corresponding amount is recorded as a gain or loss.

Options Accounting

Global Horizon fully accounts for written and purchased call or put options. The system supports exchange-traded equity, interest rate, treasury, swaptions and index options as well as other OTC options.

Purchased call and put options are reflected as assets and written call and put options are treated as liabilities. These positions are valued daily to determine unrealized appreciation or depreciation. A gain or loss is realized when the positions are closed, exercised or expired.

8. Can your organization link collateral to SWAPS or other derivatives?

We have recently developed a "collateral management workstation" that will allow the collateral to be linked to a SWAP or other derivative investment.

The workstation allows State Street and its customers to value both the collateral requirement and the pledged collateral by investment manager and counterparty. The workstation is a web enabled collateral management, transaction and reporting tool, which allows State Street to provide collateral management services to customers via a service bureau environment or within the customer's own back office. The workstation's robust capabilities include collateral eligibility and concentration limit checks applying "haircut" or margin requirement calculations. The functionality includes industry leading collateral optimization routines which can be customized to match and compliment our customers' investment and risk parameters.



9. Does your organization's system have the capacity to report brokerage commissions by account and by broker?

Brokerage commissions and fees can be reported by account or by aggregate, and can be viewed in hard copy or on-line, and downloaded to a third party software.

10. Can your organization provide interim valuations and reports to meet one-time or ongoing special client needs? Does your organization currently perform any special reporting for other clients? If yes, please describe.

State Street can provide interim valuations or create customized reports that will meet the special needs of the State. Currently for the State, we have created reports that will enable them to adhere to the risk requirements that are mandated by GASB 40. At no cost to the State, we have developed the following reports: Holdings by Credit Risk, Holdings by Concentration of Credit Risk, Holdings by Foreign Currency Risk, Holdings by Interest Rate Risk, and Holdings by Custodial Risk.

11. How soon after fiscal year-end are annual reports available? Are fiscal years different from calendar years?

Yes, fiscal years are different from calendar years. For the State their fiscal year-end is September 30, and we provide the annual report within 45 days after the aforementioned date.

12. Does your organization have the ability to perform unitized accounting? Is unitized accounting fully integrated into your organization's accounting system?

Yes. State Street has the ability to perform unitized accounting and the system is integrated into our Global Horizon system. Our internally developed system for unitized accounting was developed in 1981, and using this system, we are able to value over 40% of the mutual funds listed in the Wall Street Journal everyday and have strict procedures and controls that ensure accuracy on a consistent basis.

Our unitized accounting or trust plan accounting application composites the income from a group of portfolios or funds, then distributes the composite income through the trust structure among a number of entities that share the assets. Customer-specific posting rules define the allocation of activity among the investment pools and entities. They also define processing parameters such as allocation method, allocation base, reporting frequency, fiscal year-end date and pricing method. Allocation is done on a dollar basis.

The trust accounting system is both flexible and easy to use and supports a number of functions and options:

- Allocation of base net asset value (NAV) using single and multiple pools of assets
- Ability to use straight period-end, weighted period-end, and daily allocation methods
- Ability to support entity specific transaction such as contributions or withdrawals
- Negative balance allocation
- Ability to run valuations daily, monthly, or on demand
- Multiple levels of pooling



- Fiscal period reporting (annual, quarterly, multiple year-ends)
- Composite reporting is available directly online.

Our capability will allow State Street to provide information to the State of Michigan Retirement Funds investment pools in real time, which will enable the investment pools to operate similar to a Mutual Fund. Unitized accounting information can be delivered in hard copy or via our information delivery platform.

13. How frequently is the market value of securities reported? Please complete the following schedule:

Securities	Primary Pricing Services	Frequency of Price Updates
Agency mortgages		
Asset-backed securities		
Collateralized mortgage obligations		
Convertible bonds		
Corporate bonds		
Domestic equities		
Financial futures		
Foreign bonds		
Foreign equities		
Government bonds		
Mortgaged-backed securities		
Mutual funds		
Preferred stock		
Private placements		
Put & Call Options		
Real estate funds		
Stock options		
Swap agreements		
Venture capital		
Warrants		
Floating rate note		



The following is a list of our primary and secondary pricing sources:

	Primary Pricing Source(s)	Secondary Pricing Source(s)	Frequency
U.S Common & Preferred Stock	Reuters	Thomson ILX, Bloomberg	Daily
U.S. Corporate Bonds	Bear Stearns, Lehman US Aggregate	FT Interactive, Prudential American, Reuters (EJV)	Daily, Monthly (Prudential American)
U.S. High Yield Bond	FT Interactive	Bloomberg	Daily, Monthly (Bloomberg)
U.S. Treasuries & Federal Agencies	Bear Stearns, Lehman US Aggregate	FT Interactive, Prudential American, Reuters (EJV)	Daily, Monthly (Prudential American)
Non-U.S. Common & Preferred Stock	Reuters	FT Interactive, Bloomberg	Daily, Monthly (Bloomberg)
Non-U.S. Corporate Bonds	FT Interactive	FRI Corp., Bloomberg	Daily, Monthly (Bloomberg)
Private Placements	Statements	Investment Managers/Brokers	Per Request
Asset- and Mortgage-Backed Securities	Bear Stearns, Lehman US Aggregate	FT Interactive, Prudential American, Reuters (EJV)	Daily, Monthly (Prudential American)
Futures	Reuters	Bloomberg	Daily, Monthly (Bloomberg)
Options	Reuters	Bloomberg	Daily, Monthly (Bloomberg)
Forwards	WM Company, Reuters	Off Line	Daily
Swaps	Global Horizon	Off Line	Daily
Structured Derivatives	Reuters	Bloomberg	Daily, Monthly (Bloomberg)
Warrants	Reuters	Bloomberg	Daily, Monthly (Bloomberg)
Certificates of Deposit	Global Horizon	None	Monthly
Collateralized Mortgage Obligations and Collateralized Bond Obligations	Bear Stearns	FT Interactive, Prudential American	Daily
Commingled Funds	Fund Statements		Daily/Monthly
Eurobonds	FT Interactive	FRI Corp., Bloomberg	Daily
Non-U.S. Government Bonds	FT Interactive	FRI Corp., Bloomberg	Daily, Monthly (Bloomberg)
GICs	Duff & Phelps	None	Per Request
Mutual Funds	Reuters	Thomson ILX, Bloomberg	Daily, Monthly (Bloomberg)
Right Offerings – U.S.	Reuters	Thomson ILX, Bloomberg	Daily, Monthly (Bloomberg)
Right Offerings – Int'l	Reuters	Thomson ILX, Bloomberg	Daily, Monthly (Bloomberg)
OTC Issues	Reuters	Thomson ILX, Bloomberg	Daily, Monthly (Bloomberg)
Real Estate (REITS - Listed Only)	Reuters	Thomson ILX, Bloomberg	Daily, Monthly (Bloomberg)



14. What is your organization's pricing methodology, PEELS, last sale, etc. Can private placements and unique securities be priced according to a benchmark, matrix, or other alternate pricing methodologies?

State Street's pricing methodology is PEELS - Primary Exchange Last Sale.

State Street does not provide pricing for private placements according to a benchmark, matrix or other pricing methodology, only via industry standard vendor sources. Vendors may employ this type of pricing, but it is dependent on the type of security and circumstances around it. The ability of our vendors to provide a price on a private placement depends on whether or not there is enough public information available for the vendor to access and input to their models.

15. Can your organization carry the book value of securities at original cost, amortized cost or average cost? How does your organization compute realized gains and losses?

State Street's tax lot accounting and reporting procedures are tailored to meet your specific requirements. Global Horizon and the Derivatives Workstation calculate and post tax lot cost transactions (and the corresponding realized gains or losses) based upon the costing methodology provided by the customer.

State Street's basic tax-lot accounting and reporting procedures include two costing methods and six inventory methods.

The costing methods, which can reflect the amortized value are as follows:

- **Identified Cost** - This method uses the cost of each individual buy lot. The lot(s) sold is determined by the inventory method.
- **Average Cost** - This method uses the aggregate total of buy lots (number of shares) and their total cost to determine the cost per share. The lot(s) sold is determined by the inventory method.

The inventory methods are as follows:

- **First In First Out (FIFO)** - This method sells the buy lots in the order in which they were purchased (the oldest lot is sold first).
- **Last In First Out (LIFO)** - This method sells the most recent purchase first.
- **Identified Lot (ID Lot)** - This method is used to sell specific lots.
- **Highest Cost First Out (HCFO)** - This method sells the lot purchased at the highest price first, regardless of the order in which it was purchased.
- **Lowest Cost First Out (LCFO)** - This method sells the lot purchased at the lowest price first, regardless of the order in which it was purchased.
- **Closest to Average** - This method sells the lot purchased with the price per share closest to the average cost per share.



Global Horizon computes and reports all realized and unrealized gains and losses on domestic and non-\$U.S. denominated securities as detailed in the following table:

Component Computation

Unrealized G/L Investments	Difference between book or cost and market value at close of reporting period (same as domestic security unrealized G/L)
Unrealized G/L Income Receivable	Net effect of mark-to-market of income receivables at close of reporting period
Unrealized G/L Investment & FX Receivable	Net effect of mark-to-market of open receivables (trade and fx) at close of reporting period
Unrealized G/L Investment & FX Payables	Net effect of mark-to-market of open payables (trade and fx) at close of reporting period
Currency G/L on Dividends Received	Result of currency fluctuation from ex-date to cash receipt date
Currency G/L on Interest Received	Result of currency fluctuation from payable date to cash receipt date
Currency G/L on Tax Refunds Received	Similar calculation to currency G/L on dividends and interest
Currency G/L on Security Settlements	Currency fluctuation between trade date and cash settlement date
Currency G/L on FX Settlements	Similar to currency G/L on security settlements
G/L on Currency Disposed	Represents the change in value of the currency due to the exchange rate fluctuation between the settlement date exchange rate of the transaction, which created the original cost of the currency coming into the fund and the settlement date exchange rate of the transaction, which caused the currency to leave the fund
Security G/L	The difference between the current local cost of a security and the local proceeds at which the security was sold (local sell proceeds – local cost for original buy)
Currency G/L	Represents the exchange rate fluctuation of the value of the original buy amount of a security compared to the value of the original buy amount on the date of the sell (original local cost of the security/TD sell exchange rate – original local cost of the security/original TD buy exchange rate)
Unrealized Appreciation/Depreciation	This is the total unrealized G/L on securities for the reporting period



16. Describe your organization 's accounting procedures with regard to private placements, limited partnerships, grantor trusts, limited liability companies, corporations, FRN's, mortgage pass-through (i.e., GNMA, FNMA) and mortgage derivative (i.e., inverse floater) securities. How does your organization price these securities? What is your organization 's source and how does your organization account for pay down information? When does your organization credit principal and interest payments for each type of security?

Global Horizon incorporates sophisticated software that accurately accounts for mortgage backed securities and the wide variety of derivatives. The system maintains original face value, current face value, book cost, security specific details including coupon rate and maturity date, and any other critical information such as dated dates, call dates, variable rates, and payment frequencies. Income accruals automatically post to the accounting books daily and receivables are relieved through an automated process. Additionally, Global Horizon automatically accounts for accretion and amortization of discounts or premiums, taking into account yield to maturity of the original purchase, pre-payment schedules, and weighted average to maturity.

We receive paydown factor information from multiple vendors through monthly, automated transmissions. The factors are systematically loaded into Global Horizon and used to generate the principal portions of the MBS paydowns that are due. At this time, Global Horizon automatically adjusts the current face and cost basis of the MBS position held. Additionally, the system recognizes a gain/loss on the principal change that can be automatically posted as either a gain/loss or income.

The MBS software affords the creation of MBS-specific reporting to our customers. These reports allow our customers to view MBS payments of principal and/or interest, current receivables, and information specific to the MBS security type. Reports are available either in hard copy or via our information delivery platform.

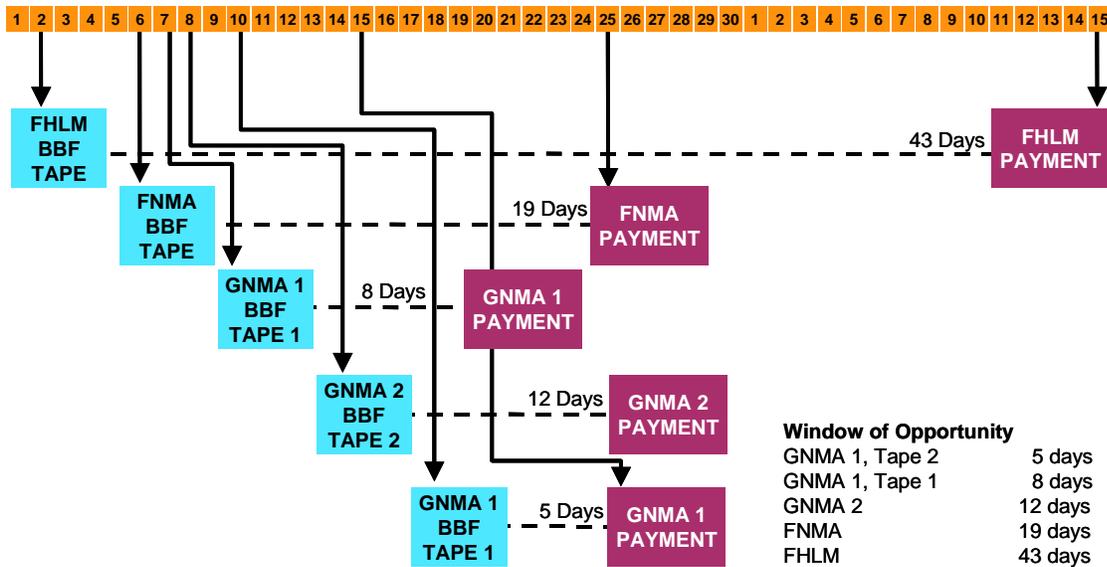
Global Horizon can accommodate the various payment characteristics of mortgage-backs and their derivatives such as delay days, accrual periods, record dates, floating rates, inverse floating rates, I/Os, P/Os and I/Oettes.

State Street receives automated data transmissions from several vendors and processes the factor versus the original face that is stored on our Global Horizon system, producing the paydown receivable.

Factor information for government securities (i.e., GNMA I & II, FHLMC, FNMA) is sent to State Street by the Securities Industry Automation Corporation (SIAC), while asset backed and CMO securities factor information is provided by Interactive Data Corporation (IDC) and via DTC CMORT files. In addition, we receive electronic feeds from IDC, Standard & Poor's, J.J. Kenney, Bridge Data, Bloomberg, Telekurs and our subcustodian network.

Security Type:	Maximum receipt date:
GNMA 1, Tape 2	5 days
GNMA 1, Tape 1	8 days
GNMA 2	12 days
FNMA	19 days
FHLM	43 days

Following is a diagram of the paydown process:



Principal and interest projections are available immediately after the tape has been processed by our Global Horizon system. Our error rate on projections has been 0%. Please refer to the diagram above for a processing timeline of each mortgage backed security type.

Our processing is fully automated for the generic GNMA, FNMA, FHLMC and asset-backed securities, therefore our error rate is virtually 0%.

17. How does your organization handle short positions?

We account for equity, fixed income and international short sale portfolios. Global Horizon has specialized short sale functionalities that support the following accounting procedures:

- **Booking a Short Sale** – The short sale security is recorded at negative cost and identified as a short position on the accounting reports. The proceeds from a short sale are retained by the broker and recorded as an account receivable.
- **Valuation** – Short and long positions are valued in the same way. Short sales are reported at negative cost. Changes in value are booked to unrealized gains and losses.
- **Collateral** – State Street moves collateral and margin to and from the broker, as required. Cash margin and collateral held at the broker are reported as “cash at other banks.”
- **Dividends and Interest** – Dividends on securities sold short are recorded as dividends payable and dividends expensed. Upon payment, the payable is closed to “cash at other banks.” For fixed income short sales, interest payable is treated in a similar fashion.
- **Settlement** – When the position is closed, the security is purchased, and the broker settles the original receivable. Both settle against “cash at other banks,” and the difference is recorded in realized gain/loss.

Note: Settlement against “cash at other banks” is used only when the broker and customer have established this type of relationship.



18. How long is your organization 's data retention period?

The availability of historical information online depends upon the type of data and the specific report requested; some information is available online indefinitely.

Electronic Data Retention Requirements	Records are stored permanently
Data Retention Policies – Online Information Delivery Platform	Accounting – 90 days of daily information and month end information since conversion Performance & Analytics – since fund inception
Customer Records Retention	7 Year Storage <ul style="list-style-type: none"> • Month end and annual reports • Customer correspondence • Proxy reporting • Regulatory reporting (federal, state, local) • Corporate action files

Additionally, most of the historical data that is not currently available online can be obtained via a two day "rebuild" process, per the customer’s request. There is no additional charge for the two day rebuild.

19. Are trust department records and procedures included in audits by your organization's external auditors? What is the extent of their review? May client auditors examine bank records pertaining to client accounts?

Yes, trust department records and procedures are included in audits by our external auditors.

State Street contracts with two public accounting firms – Ernst & Young and PricewaterhouseCoopers – to conduct annual financial statement audits and semi-annual internal control reviews.

Ernst & Young, which has been our independent accounting firm since 1972, conducts annual audits that focus on our overall financial operation and condition. In addition, the firm attests to our compliance with Federal Deposit Insurance Corporation Improvement Act (FDICIA) Sec. 112 requirements and compliance with Sarbanes-Oxley Section 404.

PricewaterhouseCoopers prepares a Global Controls Examination of our internal control structure and procedures on a semi-annual basis. The firm has been performing these reviews since the introduction of SAS 70 in 1993. Between 1980 and 1993, they had been performing similar services under SAS 44. We believe use of the Global Controls Examination effectively meets the needs of our customers and their external auditors.

To preserve the confidentiality of customer information, State Street’s Corporate Audit group does not allow the review of its audit plans, working papers, reports or other internal documents by customer auditors or their auditors.



20. If your organization is awarded the contract for MT/MC services and not SL services or PM services (or any combination), how will you coordinate your services with the other service provider(s)?

If another party was awarded the SL services, we would have to execute a third-party lending agreement with the agent. The agreement would cover confidentiality, communication of trading activity, settlement tolerance levels, trade fails, loan activity, collateral movement, mark-to market, and income collection.

If another party was awarded the PM services, we would execute an agreement that would cover confidentiality, back-loading of transactions and performance history, and the delivery of security transactions and holdings information at month-end.

B. Custody - Cash Management

1. What short-term investment vehicles does your organization have available for governmental unit client use? What are the fees for each vehicle and how are they charged? Please describe the investment criteria for each of the vehicles.

Although we have various commingled funds for ERISA qualified customer assets, for the externally managed funds, any of the State's residual cash is swept into our Short-Term Investment Fund (STIF). We also have a Government Short-Term Investment Fund (GSTIF).

For the internally managed funds, all cash is sent back to the State's bank. In the event there will be residual funds, those funds are swept into a repurchase agreement through our Liquidity Management Control System (LMCS).

Please refer to **Exhibit VII** for the Fund Fact Sheets and performance returns of these vehicles.

2. Please provide the following rates of return for each of the investment vehicles listed in the prior section for the past three years as of September 30, 2004:

- a. Quarterly rates of return
- b. Annualized rates of return for each year
- c. Rates of return for the three-year period.

Please refer to **Exhibit VII** for the Fund Fact Sheets and performance returns of these vehicles.

3. Describe the daily procedure for investing client cash.

Our automated sweep vehicle can be managed down to zero or another designated target balance, and liquidated only on demand or to settle a purchase. Each portfolio is coded with the chosen liquidity vehicle. The typical deadline for most sweep vehicles is 1:00 p.m. ET for ERISA qualified funds and 2:00 p.m. ET for non-qualified funds, though it varies by investment vehicle.



Each fund/portfolio has its own Demand Deposit Account (DDA) which is coded with a chosen investment vehicle. At deadlines specific to each vehicle, our automated sweep function reviews the day's settlement activity, calculates the buy/sell decisions and posts the appropriate amounts to our Global Horizon accounting system from both a cash investment and accounting perspective. Simultaneously, the remaining uninvested cash is electronically swept into the fund/portfolio's chosen investment vehicle for overnight investment.

Customers or investment managers select the investment vehicle. State Street facilitates this selection by offering an extensive array of short-term investment products to meet every customer's investment needs, including pooled instruments, customized portfolios, enhanced cash and money market instruments.

4. Describe your organization 's system for monitoring and projecting cash balances. Include your organization 's procedures for ensuring that all interest and dividends for the State are paid.

State Street takes a proactive approach to tracking and collecting our customers' entitlements. We have established highly skilled teams of market and customer service specialists to facilitate payment and collection of dividends, interest income and principal maturity proceeds for our entire global custody network. As a result, most entitlements are received on the customary payable date of the local market and past due receivables are minimized.

The income process begins with event information received from a number of vendor data feeds, depositories and subcustodians. Each event is confirmed with a second source. This second sourcing process allows us to identify and resolve discrepancies prior to the income payment.

Upon receipt of entitlements, comparisons are made between our records and the records of depositories and subcustodians. All discrepancies and non-receipts are monitored and researched. The research includes the review of security positions as of ex/effective and record date, confirmation of rates, calculation of payments, review of customer tax withholding and reclaim rates, and review of previous postings. Our income specialists then follow up with the appropriate party until resolution. Once State Street identifies the cause of payment discrepancies, we notify the appropriate business unit to modify the source data to ensure that future receivables and payments will be accurate. Entitlements are then paid accordingly.

5. Describe your organization's cash projection procedures. Is your organization able to provide a seven-day cash projection updated daily by 7:00 am ET? Is the report available on-line?

We can supply cash projections online or in hardcopy format. Forecast templates are available in the investment manager and accounting subscriptions of our information delivery platform, which will perform the projections based on embedded formulas. However, transactions can occur between the request date and the forecast date affecting the predictability of the forecast. Because of this volatility, we recommend timeframes, such as one to five days.

6. How does your organization handle fail float for purchase and sales of securities? Please describe when and how purchases are charged and sales are credited to the trust especially if a transaction does not settle on contractual settlement date. Is the process the same for all instruments?



State Street offers both contractual and actual settlement programs for the processing of security settlements.

Under our contractual program, eligible security buys and sells are settled on the contractual settlement date. As such, fail float does not relate to the contractual settlement program.

Under our actual settlement program, we begin with the assumption that all security transactions will settle on the scheduled settlement date and factor these cash flows into the cash forecast for the day. At the end of the day, if there were buy fails in DTC, the buy fail money would remain in the customer’s account.

In the international markets, buy fail money remains in the customer accounts and earns interest at prevailing rates.

We will withdraw funds for all purchases on scheduled settlement date in anticipation of timely settlement, and credit proceeds on the value date received. If a purchase fails, the funds will remain in State Street’s settlement account in anticipation of settlement the following business day.

State Street provides contractual settlement for sells (up to 30 days) and buys, on an approved basis, for security settlements in the following markets:

Australia, Austria, Belgium, Brazil, Canada, China (Shenzhen), Croatia, Denmark, Estonia, Euroclear*, Finland, France, Germany, Greece, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg*, Malaysia, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, South Africa, Thailand, Turkey, United Kingdom and United States

*Contractual settlement will be supported in Euroclear for the securities settling in an approved market’s primary currency.

At this time, additional markets are excluded from our contractual settlement policy due to their inherent market conditions. However, upon further review of the market conditions, trading volume and asset types, we would be willing to discuss the provision of contractual settlement date accounting in additional markets.

7. When does income become available for investment? Please complete the following chart and add other activities that your organization feels appropriate:

Income Type	Due Date	Date Available
Dividends	Payable Date	Payable Date*
Interest	Payable Date	Payable Date*
Maturities	Maturity Date	Payable Date*
Principal Payment	Payable Date	Payable Date*

**Subject to the parameters of State Street’s pre-determined income policy below*

State Street has a pre-determined income program whereby income from certain markets is credited on payable date. We systematically credit dividends for all types of equities, interest from debt instruments and final principal redemptions to our customer accounts on **payable date** for the following markets:



- Australia
- Austria
- Belgium
- Brazil
- Canada
- Denmark
- Euroclear*
- Finland
- France
- Germany
- Greece
- Hong Kong
- Ireland
- Italy
- Japan
- Malaysia
- Mexico
- Netherlands
- New Zealand
- Norway
- Peru
- Philippines
- Poland
- Portugal
- Singapore
- Spain
- Sweden
- Switzerland
- South Africa
- Thailand
- United Kingdom

* Pre-determined income will be paid on Euroclear holdings for events paying in USD and in the domestic currency of the countries listed above.

Exceptions to the pre-determined income payment policy are noted below. In these instances, income is credited on an actual receipt basis.

- Securities that are not under custody at State Street
- When a customer's cash accounts in the above market's primary currency are not maintained, for any reason, on the books of State Street
- Securities on loan under a securities lending program other than State Street's lending program (i.e., third party lending)
- Securities known to State Street to be in a condition of default, suspected to present a risk of default, or payment delay
- Securities in which the amount of income and redemption cannot be calculated in advance of payable date, or determined in advance of the actual collection (e.g., variable rate instruments, securities lacking valid asset identifiers, etc.)
- Securities involved in a trade in which the settlement either failed, or is pending, over record date
- Securities in asset categories (without limitation) including: Private Placements, Derivatives, Options, Futures, Asset Backed Securities, Mortgage Backed Securities, Collateralized Mortgage Obligations (CMOs), Other Mortgages, Zero Coupon Bonds, American Depository Receipts (ADRs), Physically Held, and Non-Security Assets
- Securities that pay income in a currency other than the currency of the depository or subcustodian (e.g., Canadian securities held in Canada paying in USD or Irish securities held in the United Kingdom paying in Euro)

Any income and redemption credit to a customer's cash account is conditional until payment is made in full with good funds by the paying agent or the issuing company. Market regulations and practices dictate that such payment is final. State Street may at any time reverse or adjust any conditional income and redemption credit if relevant conditions are not fulfilled.

Pre-determined income may be subject to change as a result of changing market conditions and ongoing global custody analysis.

For those markets not covered by our Pre-Determined Income policy, income and dividend payments will be credited on actual date of receipt. Once dividend entitlements are collected from the appropriate party, the transactions are settled on our systems.



8. When is short-term investment fund interest credited to the customer? Does your organization credit interest on due date without exception? If not, explain.

Income is accrued daily and posted monthly in each of our short-term investment funds.

9. Please describe your organization's cash management services for non-U.S. securities?

For customers who wish to hold cash in foreign countries, our current practice is to leave the currency in the fund's transaction account at the subcustodian where it will earn balance credits.

10. Which foreign currencies pay interest on account balances? Is there a charge netted against these earnings?

As previously stated, for customers who wish to hold cash in foreign countries, our current practice is to leave the currency in the fund's transaction account at the subcustodian where it will earn balance credits. The following foreign currencies pay credit interest: Australia, Canada, Czech Republic, Denmark, Euro, Hong Kong, Hungary, Israel, Mexico, New Zealand, Norway, Poland, Slovakia, South Africa, Sweden, Turkey, United Kingdom, Latvia, Croatia, Iceland, Slovene. There is no minimum balance required.

11. Describe your organization's system for managing foreign tax withholding and reclaims.

We provide comprehensive tax services to our diverse customer base, which is comprised of approximately 100 different tax residencies, and invested in 103 markets and over 45 types of financial instruments. These services include, but are not limited to foreign tax processing, U.S. NRA tax filings for non-U.S. residents, application for tax exemption where applicable, request to local tax authorities for residency certifications and capital gains tax filings.

Reduction at Source and Exemption

Our goal is to enable our customers to achieve the maximum benefits from up-front withholding schemes, where permitted under the taxation treaty and according to the customer's fiscal domicile and legal structure. We actively monitor tax relief at source benefits in all applicable markets and inform our customers of any opportunities to implement such benefits. We coordinate tax exemption applications and reduction at source documentation requirements and file the documentation with the appropriate market authorities on the customers' behalf.

Relief at Source Markets

Markets where we have been able to arrange for relief at source include:

Australia, Belgium, Brazil (interest only), Bulgaria, Canada, Czech Republic, Finland, Greece, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Mexico, New Zealand, Norway, Poland, Portugal, Slovak Republic, South Korea, Sweden and United States.

Note: This information is applicable to non-residents and may differ if the customer is domiciled and invests in their local market.

Markets where we have been able to arrange for exemption include:

Australia, Canada, Germany, Ireland, Italy (bonds), New Zealand and Puerto Rico.

**Tax Reclamation**

State Street takes an aggressive approach to tax reclaim collection. Once a tax reclamation is validated, the claim process begins immediately. We file tax reclaims for each reclaim market on an ongoing basis on behalf of the individual beneficiary, with the filing frequency determined by local market practice and residency.

Our integrated custody platform automatically processes and tracks reclaims on taxes withheld by foreign tax authorities. The system employs point-to-point tracking of tax reclaim receivables through the various stages of the filing process until receipt of payment. Appropriate statuses are assigned for all tax reclamations.

Tax Reclaim Markets

We are able to provide tax reclaim services in the following markets:

Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland (ADRs only), France, Germany, Greece (gov't bond interest), Indonesia, Ireland, Israel, Italy, Luxembourg, Malaysia (debt only), Mexico, Netherlands, Portugal, Singapore (debt only), Spain, Switzerland and United Kingdom (debt only).

Tax Documentation

Some markets require investors to complete and submit documentation on a one-time or on a renewal basis (per event or annual). State Street tracks and monitors the frequency and receipt of documentation requirements ensuring its completion prior to the local market deadlines. All required documentation must be available in order for State Street to produce and file the tax benefits / opportunities. We work with our customers to obtain the necessary tax documentation requirements and on the customer's behalf, file the documentation with the appropriate market authorities.

Tax Rates

We maintain tax entitlement accruals for all possible tax benefits / opportunities available to customers in their market of investment. We constantly monitor the tax entitlement accruals and expectations based on the current situation in the market of investment to protect customer entitlement.

State Street has invested considerable resources in the establishment of a comprehensive tax database that maintains the tax information for our diverse customer base. The database includes withholding rates, reclaim rates and exemption possibilities to accurately effect tax opportunities for our diverse customer base.

Capital Gains Tax Processing

In our ongoing effort to assist our customers' investment interests in emerging markets, we facilitate capital gains tax filings in all necessary markets.

We assume an active role, working with local tax consultants and our subcustodians to ensure tax calculations are accurate, payments are made on time and tax returns are filed accordingly in India, Mauritius, Pakistan, Turkey and Venezuela.

In Thailand, where customers are taxed on a trade-by-trade basis, we work closely with customers to help them understand the local market tax regulations and practices.



12. At what rate will the bank reimburse the client for the overnight use of client funds if the bank erroneously debits an account overnight?

If State Street were to erroneously debit an account overnight, we would reimburse the customer at the daily STIF rate.

13 List any countries where your organization's standard cash management policies are currently not enforced and explain.

State Street facilitates short term investments for currencies in the following countries:

- Argentina
- Australia
- Brazil
- Canada
- Croatia
- Czech Republic
- Denmark
- Estonia
- Euro
- Hong Kong
- Hungary
- Iceland
- Indonesia
- Israel
- Japan
- Kuwait
- Latvia
- Lithuania
- Malaysia
- Mexico
- New Zealand
- Norway
- Peru
- Philippines
- Poland
- Singapore
- Slovakia
- South Africa
- Sweden
- Switzerland
- Thailand
- Turkey
- United Kingdom
- United States

C. Custody - Security Movement & Control

1. Describe your organization's depository memberships (i.e., DTC, FRB, etc.) and the services your organization uses at these depositories. Describe your organization's system for registration and custody of assets.

We are a direct participant in the depositories and other local systems in the markets where we offer self-custody. In the United States, we are a participant of the Depository Trust and Clearing Corporation (DTCC) and the Federal Reserve Book Entry System (FBE).

We are a direct participant in Clearstream, Euroclear, the Canadian Depository for Securities (CDS), and in the United Kingdom's CRESTCo.

We maintain direct interfaces with these depositories, which facilitate the seamless flow of information between State Street and each depository.

We participate indirectly in depositories in markets where we offer subcustody services through our local subcustodian banks. These relationships are established in accordance with local market regulations and practices.

For a complete list of depositories in our global custody network, please refer to **Exhibit VIII**.

**Services**

We look to utilize depository services that will benefit our customers and meet their servicing requirements. These services include deposit and withdrawal functions for eligible securities, matching and settlement of trades, the ability to pledge securities to counterparties, claims tracking and other related safekeeping services. As a large Global Custodian, we work very closely with the various depositories to help identify new services, or improvements to existing service offerings, that would benefit our customers. Our management teams are actively involved on several depository boards and committees that have been established to drive the future direction of the market and the depositories themselves. We partner with our customers to identify their needs and act as a voice for them in dealing with the depositories. In markets where we maintain subcustodian relationships through agent banks, State Street's relationship with depositories is an indirect one, established through our subcustodian as depository participant in the market. These depositories provide a range of services that vary by market. Information regarding these services is available to our customers through our Depository Review publication.

Registration

In markets where registration of securities is required, shares are automatically sent out for registration upon settlement, according to regulatory requirements and general market practices unless otherwise instructed by the customer. Registration is performed on a trade-by-trade basis and our custody specialists have access to technology that facilitates online tracking. We actively monitor our customers' securities that are out for registration. Our custody systems control the movement of securities from instruction entry to settlement and return receipt in proper registration. Our systems provide real-time trade, settlement and registration status, which is critical for effective management tools and problem-solving tasks.

As our custody specialists are market experts, they are knowledgeable of the markets in which they operate. Therefore, they are familiar with local practices, participants and regulations governing the registration process. Should there be a delay in effecting registration, we work with market participants to understand the delays and seek prompt resolution. State Street's strong relationship with our subcustodians enables us to address potentially problematic situations quickly and effectively.

State Street's registration practices customarily follow market practice. Securities are generally registered in State Street's nominee name, in our subcustodians' nominee name, or in the customer's beneficiary owner's name, when required by local regulation. In the majority of markets, assets are held in local market depositories where they are typically registered in the nominee name of that depository.

Upon special request, we can generally hold securities in street name pending instructions from customers. Where permissible by local practices and regulations, we will attempt to accommodate specific customer requests such as registration in street name or in the customer's name. However, we do not normally recommend holding assets outside of market practice given that customers may risk loss of entitlement to corporate actions and/or income.

Please refer to the enclosed *Guide to Custody in World Markets* for a detailed description of each market's registration practice.



Custody of Assets

In general, State Street will maintain eligible securities within a central depository in cases where depository usage is compulsory by law or prevailing custodial practice.

Most depositories are developed to create settlement and safekeeping efficiencies, as well as to mitigate risks associated with the physical movement of certificates. Market officials generally intend that all investors will be users (direct or indirect) of the depository for eligible securities. Consequently, most depositories operating in the markets contained in our Network are compulsory for, either or both, settlement and safekeeping. A number are compulsory per local law, or the rules and regulations of the depository and/or affiliated stock exchange. In many cases, however, depository systems are compulsory by virtue of the fact that maintaining securities outside the system is inconsistent with prevailing custodial practices. Not using the depository system under these circumstances may have significant and adverse effects on the liquidity of the particular position held outside the depository. Higher costs and risks associated with exception processing can also be attributed to operating in a manner different from the prevailing practice in the market.

In markets where a central depository does not exist or for securities that are not eligible for safekeeping at a central depository, securities are held in the vaults of State Street's local subcustodian or in State Street's vaults, as applicable.

2. How and where are physical settlements transacted?

General

Settlements of physical securities, both withdrawals and deposits, occur according to that market's accepted settlement conventions. Physical securities are generally held in the vaults of our subcustodians. In accordance with our subcustodian agreements, securities physically held for our customers must be segregated from the general assets of the subcustodian and the subcustodian's other customers. Our subcustodians are required to maintain separate records, as necessary, to identify each customer's assets.

Upon receipt of physical securities, certificates are sent out for registration as appropriate.

All physical securities are monitored by our point-to-point tracking system, which requires acknowledgement of receipt of securities by each work area destined to receive the securities. Our custody control records are updated to reflect the settlement status of the physical security.

For detailed information regarding market settlement conventions please refer to the enclosed *Guide to Custody in World Markets*.

United States

Physically-held securities are customarily registered in a State Street nominee name and vaulted in the Depository Trust Company's (DTC) New York custody services facility. Debt and equity issues ineligible for book entry in DTC or FBE settle physically "over the window" in New York.

"Over the window" settlement requires that the delivering party physically present the securities directly to the receiving party or its agent. Physical certificates must either be endorsed for sale by the registered owner or be accompanied by a stock/bond power, and in some cases a corporate resolution, in order to settle. Payment is wired separately in same-day funds, which requires that both parties adhere to stringent settlement timeframes. Based on customer instructions at the time of settlement, physical securities are immediately sent out for registration with the transfer agent.



Physical securities can be held as they are received (in street name) for short periods. If the shares are to be resold prior to registration, the customer must specify the turnaround in the original purchase instructions. Re-registration for “routine” securities generally takes 3 to 5 business days. Re-registration for “non-routine” securities may take substantially longer, depending on the type of registration and the transfer agent involved. In the U.S., shares out for registration can be traded but not settled until the new certificates are received.

United Kingdom

In the U.K, physical securities are held in our Edinburgh vault and are generally registered in State Street’s nominee name. The control processes of the Edinburgh vault aim to minimize the misplacement or loss of securities. Upon instruction to sell a physical security, the physical certificate is withdrawn from the vault in accordance with stringent operating procedures. The physical certificate, along with any necessary documentation (signed in accordance with current Articles of Association of the nominee holding company), is typically delivered to the appropriate counterparty on contractual settlement date.

Upon receipt of the physical security and transfer documentation (which must contain the Nominee Company seal and two authorized signatures), the certificate is sent out for registration as appropriate. The documentation, along with the physical certificate, is recorded by the recipient and forwarded to the transfer agent (registrar) for re-registration. The re-registration process can take anywhere from a few days to a couple of weeks.

All positions are monitored and recorded throughout their life by way of an inventory in the subcustodian’s systems. State Street’s custody system is updated to reflect the proper settlement status. The payments for physical transactions are generally transferred through the Clearing House Automated Payment System (CHAPs).

Canada

In Canada, physical securities are held in the vault of our vaulting agent. Following our operating requirements, our vaulting agent is required to confirm to State Street all receipts or deliveries of physical securities via SWIFT messaging. We work closely with our vaulting agents to ensure trade instructions are processed accurately in a timely manner. Upon receipt or delivery of physical certificates, State Street’s accounting and custody system is updated to reflect accurate customer positions.

Upon receipt of physical securities, certificates are sent out for registration as appropriate. All positions are monitored throughout the registration process. State Street’s custody system is updated to reflect the proper registration status.

3. Does your organization's system accommodate options and futures trading? SWAPS?

Yes.

4. Please describe your organization's affirmation process. How does the process work for the various types of domestic investment vehicles?

General

Pre-matching enables us and our subcustodians to identify any settlement issues with counterparties. In markets where State Street provides direct custody, these issues are promptly communicated to us via electronic depository interfaces, SWIFT, telephone or facsimile throughout our 24-hour operating day.



We participate in the pre-matching mechanisms of each depository. In markets where custody services are provided through our agent bank network, State Street requires trade pre-matching, regardless if pre-matching is a required local market practice.

United States

The primary market mechanism for trade confirmation and investor and custodian affirmation is the DTC/Omgeo's TradeSuite system.

Trades of securities held in DTC and the Federal Reserve's National Book-Entry System (FBE) as well as all physical deliveries, may be affirmed through TradeSuite. Affirming a trade does not guarantee settlement, rather it means that both parties agree to transaction details.

Depository Trust Company (DTC)

State Street is a participant in the Depository Trust Company (DTC) and uses the DTC/Omgeo's TradeSuite product for receiving trade confirmations for U.S. equity and bond trades. Trade confirmations are transmitted to DTC from the broker and are electronically transmitted to State Street on trade date.

We receive notice from DTC of all confirms and affirms that affect our customers. In cases where we are the affirmation agent, our business areas perform the necessary matching to customer instructions and then automatically issue trade affirmations back to DTC to facilitate trade settlement on T+3 (this affirmation automatically updates both the accounting and custody records). In cases where the customer or investment manager performs the affirmation process, we receive electronic affirmation notices from DTC, which update the custody and accounting records accordingly.

Federal Reserve's National Book-Entry System (FBE)

Trade confirmations and affirmations can be received via DTC/Omgeo's TradeSuite product for all FBE transactions. However, unlike DTC, trade affirmations are strictly for communications purposes only and do not facilitate settlement.

To initiate a settlement, the delivering broker or custodian transmits delivery instructions into the FBE. Once authorized, these instructions trigger securities and cash to be transferred electronically between the relevant accounts, after which the trade can be considered settled.

The receiving party may refuse the delivery and return the transaction to the delivering party through the FBE's reclaim process.

Physical Securities

Although it is not market practice to affirm or pre-match trades, DTC's custody window verifies (on settlement date) that the information contained in the physical certificates presented by the counterparty matches State Street's customer instructions. If trade details do not match, DTC would not accept the securities and inform State Street accordingly.

Global Markets

Confirmation of instructions is accomplished in one of two ways:

1. through formal pre-matching systems in markets where they exist; or
2. through telephone contact in markets where automated pre-matching does not exist.



Our custody system is updated with this information in real-time and any unmatched exceptions are aggressively investigated within 24 hours of detection. If the transaction is unmatched due to information we failed to submit, we amend the trade instruction within that same 24-hour timeframe. If the transaction is unmatched as the result of information required from our customer or the customer's counterparty, we contact the customer and request the relevant information within that same time period.

For a detailed description of the pre-matching procedures by market, please refer to the enclosed *Guide to Custody in World Markets*.

5. Please describe how your organization monitors security fails and your organization's process for resolution. How does your organization communicate and resolve fails with the investment manager?

State Street seeks to prevent fails and follows strict internal procedures and controls, in addition to a pre-matching requirement, to facilitate timely settlements. We continually review these procedures and controls to ensure that barriers to settling transactions in a timely manner do not develop. In addition, we work closely with local market participants to keep abreast of market events that may impact settlements.

Monitoring Failed Trades

If a settlement confirmation message is not received from our direct depository links or our subcustodians on contractual settlement date, the trade is assigned a failing status on our custody platforms. Our settlement specialists immediately initiate a dialogue with the appropriate party (i.e., customer representative, subcustodian, depository or counterparty) to facilitate prompt resolution of the failing transaction. Statuses of failed trades are updated and tracked daily on our custody system until full resolution is achieved.

Resolving Failed Trades

State Street takes an aggressive stance in resolving failed trades. Once a trade is verified as failing, details pertaining to the cause of the fail are noted on the custody transaction record. In most markets this is an automatic process. Our settlement specialists immediately initiate a dialogue with the customer representative, subcustodian, depository and/or counterparty to facilitate resolution. State Street's settlement specialists research the fail until resolution. Where multiple settlement cycles exist we try to resolve differences between counterparties and settle in a later cycle.

The availability of funds and securities related to failing trades is driven by market infrastructure, practice and regulation. For detailed information about local fail trade practices, please refer to the enclosed *Guide to Custody in World Markets*.

6. Are the custody and settlement groups solely dedicated to MT/MC? What is the reporting relationship?

Our custody and settlement operations groups are integrated within the Global Services division at State Street. The various units controlling, agent bank and depository relationships, securities settlements and reconciliation resolution are organized by geographic areas. Other custody functions, such as income, corporate actions and tax processing, are organized internally along the same geographic lines but exist within a functional environment.

Our structure allows us to leverage operational and regional similarities to maximize the efficiency of service and level of custody expertise we offer to our customers.



7. How frequently does your organization reconcile your records with depositories and/or sub custodians' cash, securities and corporate actions?

To ensure quality and consistency for our customers, State Street proactively reconciles subcustodian positions and the records of depositories where we maintain direct depository linkages – the United States, Canada, the United Kingdom and Euroclear with our own records.

Securities Reconciliation

Where we have direct depository linkages, securities are systematically reconciled on a daily basis through our electronic interfaces.

In markets where we have subcustodian relationships, State Street performs automated securities position reconciliation of SWIFT statements with our subcustodian. We reconcile omnibus accounts on a daily basis and individual accounts at least monthly. Additionally, a more frequent reconciliation is established in markets with physical shares to ensure the validity of the positions on our system.

Security exceptions are maintained in a resolution database for investigation, as well as management reporting, and are tracked until resolution.

Cash Reconciliation

In the majority of markets, cash reconciliation is completed daily regardless of transaction volume. In markets where transaction volumes are low, the subcustodian only sends SWIFT messages when activity in the market exists. Non-active accounts are reconciled at least once per month.

State Street's records are reconciled via electronic interfaces with depositories where we provide direct custody and against our subcustodians' SWIFT cash statements. Depending on the subcustodian and the relevant timeframes for processing activity in the market, each account is designated to one of State Street's six reconciliation cycles scheduled throughout the day. Cash exceptions, if any, are maintained in a database for investigation as well as management reporting and are tracked until resolution.

Corporate Action Reconciliation

Source Reconciliation

We strive to verify each corporate action with multiple sources, including subcustodians, depositories and corporate action data vendors such as Telekurs, FT Interactive Data, Bloomberg, and Xcitek. Our validation process enables us to maximize the accuracy of the information before releasing a corporate action or dividend notification to our customers and/or their investment manager(s).

Entitlement Reconciliation

We reconcile entitled customer holdings throughout the life of a corporate action event against the same external parties (subcustodians and depositories) to ensure the proper notification of corporate action entitlements, as well as promptly identifying trading that would affect a customer's participation status.



8. How and when are corporate actions processed? What are your organization's sources for both U.S. and non-U.S. corporate actions? How does your organization handle information on corporate activities such as tender offers, exchange offers, class action suits, class action settlements, etc.?

State Street begins working on a corporate action immediately following the identification of an event. We record corporate action information upon receipt. In order to maintain control over the life of a corporate action event, the entire corporate action notification and response process is managed through our corporate action workflow system.

We continuously communicate with depositories, subcustodians and other market agents to expedite the gathering of complete details on the event. In addition, we receive daily information feeds from data vendor sources, our subcustodians, and directly from issuers and paying agents. Prior to releasing a corporate action notification or dividend payment to our customers and/or their investment manager(s), we strive to verify each corporate action with multiple sources to maximize the accuracy of the information.

Customers may elect to receive a prenotification of an event, which contained raw, unconfirmed vendor data. This notice serves to alert the customer or investment manager to potential corporate action activity. Once final details of the issue and the holding have been confirmed, the corporate action workflow system automatically supports the generation of full notifications including relevant action level details and dates, affected portfolios and associated entitled, trade date position, and response options. The full corporate action notification is then delivered to customers and/or their investment manager(s) either via Corporate Action Tracking and Interactive Network (CApTAIN[®]) autofax or SWIFT.

Our custody systems update the corporate action workflow systems on an intraday basis with information including new corporate actions, holders, share positions and customers and/or their investment manager(s) information. Once entitlements are collected from the appropriate party, the subcustodian or depository notifies State Street and the transactions are settled on our custody and accounting systems.

Sources

Prior to releasing a corporate action notification or dividend payment to our customers and/or their investment manager(s), State Street strives to verify each corporate action with multiple sources to maximize the accuracy of the information. To determine entitlements and accruals for capital changes, we utilize the services of our subcustodian and depository relationships, as well as corporate action data vendors such as:



Source	Type
Bloomberg	Worldwide data research
DTC Reorganization Service	U.S. corporate action service
FT Interactive Data Corporation (Exshare)	International corporate action & dividend service
FT Interactive Data Corporation (IDSI)	North American dividend service
RIA Checkpoint	Taxation & accounting rules research product
Telekurs	International corporate action and US & International dividend service
Xcitek	Capital change tax research products
Xcitek	U.S. corporate action service U.S./Canadian dividend service

The data vendors, to which we subscribe, provide both broad announcement coverage as well as some specialized services. For example, we subscribe to certain services exclusively for dividend details (e.g. FT/IDSI).

Most vendors transmit data to State Street via electronic feeds once per day. When available, State Street will utilize online browse access from the vendors to obtain intra-day updates as a supplement to the daily feeds.

9. Please describe how your organization distributes and processes proxy information for U.S. and non-U.S. proxy matters.

The provision of an effective global proxy voting service has become an increasingly important facet of the safekeeping service we provide to our customers. State Street takes pride in the unique servicing alliance we have established with Automatic Data Processing (ADP) in order to provide the highest level of service for our customers. ADP is recognized as the industry's leading provider of proxy notification and vote tabulation services to security issuers, transfer agents, custodians, investment managers and voting agents.

We have established customized, innovative and automated communication links with ADP that facilitate the smooth flow of information among ADP, our customers, voting managers, subcustodians and State Street. Security information flows automatically from our subcustodians, State Street and ADP to create meeting notifications as soon as information is available from the local market. Voting instructions flow automatically from ADP to State Street to our subcustodians to ensure that all votes are recorded on a timely basis and are communicated via an authenticated network.

State Street has chosen to remain an integral part of the proxy voting servicing process, which we believe differentiates us from our competitors. We interact directly with customers and voting managers instead of directing our customers to ADP for all activities.

**United States and Canadian Issuers**

U.S. and Canadian issuers provide both ADP and their subsidiary in Canada, ADP-Investor Communication Services (ADP-ICS) with meeting information on a daily basis. Upon receipt of meeting information provided by issuers and the electronic data feeds sent by State Street, ADP and ADP-ICS release proxy notifications to the customer.

Decision makers may choose to use ADP's ProxyEdge.com to access meeting information and submit voting instructions to U.S. and Canadian meetings. If these products are not selected customers will receive hardcopy materials via mail. Vote instructions can be submitted via hardcopy, telephone or via Proxyvote.com on the Internet. Vote instructions are compiled and sent directly by ADP to the company or their designated agent.

For physical securities in the United States, proxies are mailed to registered holders for processing directly with the tabulator/solicitor. State Street can assist if required, at the request of the customer.

United Kingdom Issuers

In the United Kingdom, where we provide direct custody services, proxy information is forwarded to us through direct contact with transfer agents. We automatically route all proxy information to ADP on a daily basis. In addition, we transmit customer holdings files and customer contact details to ADP automatically, enabling ADP to create meeting notifications, which are forwarded to our customers.

Other Global Markets Issuers

Our subcustodians forward general meeting information to us via SWIFT messages. This information, along with customer holding files and customer contact details, is automatically routed to ADP on a daily basis. These transmissions enable ADP to create meeting notifications to our customers. ADP then forwards meeting notifications to customers. Customer responses also flow back through equally automated links from ADP to State Street and then to our subcustodian network via SWIFT.

ADP delivers all non-North American meeting information via ProxyEdge.com. Decision makers will access meeting information and input their voting instructions using these products. The vote instructions are processed and compiled by ADP and transmitted daily to State Street, where they are automatically reformatted into SWIFT messages for delivery to the subcustodians via an authenticated network.

10. How does your organization monitor proxy processing'?

State Street contracts Automatic Data Processing (ADP) to distribute voting authorization forms and related proxy materials. We monitor both ADP and our subcustodians' performance on an ongoing basis to ensure their compliance with our operating requirements, including prompt communication of proxy information.

Customers may choose to subscribe to ADP's electronic notification and voting product that will support a variety of reporting needs, including voting activity reports. ADP also offers a product called ProxyDisclosure, which is used to assist institutions with the SEC proxy disclosure requirements, including N-PX form filing. This product also offers historic vote activity reporting.

11. Briefly describe your organization's insurance coverage. Please indicate the amount carried to insure against loss due to a) negligent misconduct and imprudent acts and b) non-negligent loss. (See section 3.307.)



Please refer to the following chart for coverage:

MEMORANDUM OF INSURANCE
INSURED: STATE STREET CORPORATION AND OUR SUBSIDIARIES

COVERAGE	TOTAL LIMIT (US\$)	LEAD INSURER	BROKER	PRIMARY POLICY NO.	TERM
FINANCIAL INSTITUTION BOND <u>Bankers Blanket Bond</u> Provides coverage for dishonest acts by employees. <u>Computer Crime Coverage</u> Insures against theft of money, securities or property by using a computer to transfer covered property from the bank to another person/place.	\$75,000,000	Lloyds of London	Marsh USA, Inc.	QA039505	07/01/05- 07/01/06
BANKERS PROFESSIONAL LIABILITY Covers losses caused by wrongful acts, errors or omissions while rendering a professional service to a customer.	\$75,000,000	AIG	Marsh USA, Inc.	492-41-14	07/01/05- 07/01/06
EXCESS FINANCIAL INSTITUTION BOND & BANKERS PROFESSIONAL LIABILITY Follows form of underlying coverages.	\$75,000,000 excess of \$75,000,000	Lloyds of London	Marsh USA, Inc.	QA039705	07/01/05- 07/01/06
EXCESS FINANCIAL INSTITUTION BOND & BANKERS PROFESSIONAL LIABILITY Follows form of underlying coverages	\$50,000,000 excess of \$150,000,000	Lloyds of London	Marsh USA, Inc.	QA040005	07/01/05- 07/01/06
EXCESS ALL RISK SECURITIES Covers all risk of physical loss or damage from whatever cause including theft by the Insured's employees of negotiable and non-negotiable securities and all documents of value including electronic securities.	\$300,000,000 excess of \$200,000,000	Lloyds of London	Marsh USA, Inc.	QR024805	07/01/05- 07/01/06

This memorandum furnishes a brief outline of the insurance coverage currently in force. The outline is for general information only and does not alter or replace the actual terms and conditions of the applicable policies. Insurance certificates issued by the insurance brokers will be furnished upon request.

12. Describe your organization's domestic safekeeping network. Include the name or names of the sub-custodians if they are used.

Please refer to **Exhibit VIII** for our Global Custody Network.



13. What does your organization do in the area of supporting investments in emerging market countries that you feel differentiates your institution? What market does your organization expect to add in the next year?

We take a leadership role in identifying emerging markets that are receiving the attention of the investment management community, allowing us to be among the first to develop custody arrangements in a particular market. During the last decade, customer interest in emerging markets has grown dramatically. In 1990, State Street's subcustodian network covered 39 markets; today our subcustodian network covers the entire globe, providing our customers with access to 103 markets. This growth is mainly due to the addition of emerging markets into our network.

Customers benefit from our emerging market experience in the following ways:

- We establish special settlement procedures to mitigate risks to our customers' cash and securities.
- We complete thorough market research, both prior to and during on-site visits, to mitigate operating risks often present in newly developing markets.
- We develop relationships with market participants through market visits and ongoing communication to help foster service excellence on our customers' behalf.

Market Expansion

To manage our network's growth in emerging markets and the selection of subcustodians, we have formed the Market Expansion Working Group, an interdisciplinary group comprised of senior representatives from the entire corporation. Our process focuses on the following:

Market Identification and Prioritization

We periodically request a sample group of investment managers to indicate their level of interest in selected markets where we do not currently offer subcustody services. Based on this feedback, we prioritize the markets and apply network expansion resources to the markets of greatest interest to investment managers. We also closely track and examine emerging markets around the world that have or are developing some type of securities trading, formalized or otherwise, in an effort to anticipate future customer interest.

New Market Research and Risk Evaluation

We thoroughly research markets under consideration for our network by compiling extensive information on each market, such as how events, participants, inherent risks, regulations, practices and operating issues would impact the custody of customer assets. Our formalized market risk evaluation process was created using industry standards such as the U.S. Comptroller of the Currency Banking Circular (BC235) on International Payments Systems Risks and the International Organization of Securities Commissions' (IOSCO) Disclosure Framework for Securities Settlement. It's critical to understand up front the risks or conditions that might bear on our ability to provide custody services. In this way we are in a stronger position to minimize unexpected issues, establish risk mitigating measures where possible, and communicate accurate and meaningful market information to our customers.

***Subcustodian Performance Monitoring and Review***

We expect our subcustodians in emerging markets to be active in local efforts to resolve infrastructure deficiencies. One of the key roles of our Network Managers is to establish relationships with participants in the market – including regulators, attorneys, accountants, central banks, depositories and other subcustody providers. Through these relationships, and the consequent broadening of our knowledge of local market practices, we are equipped to address market issues as they arise. Developing relationships with these entities aids our Network Managers in conveying the needs and expectations of our customers to the local marketplace.

Market Information

State Street compiles extensive information regarding the regulations, practices and operating issues of each market. As world securities markets continue to evolve, we keep customers abreast of changes in the local securities and custody environments via a daily *Global Market Bulletin*. In addition, we supply customers with *The Guide to Custody in World Markets* – an annual CD-ROM publication that provides an overview of the custody practices in each of the markets in which we provide custody services. We also offer the *Global Custody Network Review*, an annual CD-ROM publication that provides U.S. mutual fund customers with insight into our subcustodian selection and monitoring procedures. Subsequent to the introduction of Rule 17f-7, we incorporated our custody risk analysis for the depositories operating in our subcustodian network. The *Global Market Bulletin* and *The Guide to Custody in World Markets* are available in a continuously updated format on the Global Market Information (GMI) section of State Street's Web site (www.statestreet.com).

Technology Advancement/ Infrastructure Improvement Efforts

We encourage and work closely with our subcustodians to improve their technological capabilities, particularly in the use of SWIFT. We also expect our subcustodians in emerging markets to be active in local efforts to improve market infrastructures. We develop relationships with regulators and market officials in these markets so that we may convey the needs and expectations of our customers.

Account Opening

We are committed to facilitating the market entrance process for our customers and have dedicated personnel to assist customers with the account opening process. This specialized team is responsible for monitoring the changing market entrance requirements and ensuring that we maintain the most up-to-date account opening information.

Risk Management/Disclosures

For those markets which exhibit special risks or infrastructures impacting custody, we will issue Market Advisories to highlight those unique market factors which might impact our ability to offer recognized custody service levels. These Advisories will be sent to our customers, in conjunction with account opening materials, as they enter new emerging markets.

14. Describe your organization's physical security arrangements.**General**

Securities that are not eligible for safekeeping at a central depository are held in the vaults of State Street's local subcustodians or in our vaults.

Vault facilities must conform to State Street's operating requirements, which include strict standards for the safekeeping of physical assets. Our operating standards require that each of our customer accounts are open to physical, on-premises inspection and audit by State Street and, where permitted by law, independent public accountants of our customers.



We may request auditor information on each subcustodian's internal controls. To ensure the assets of our customers are protected, we closely monitor the performance of our subcustodians and agents as well as local market events on an ongoing basis.

United States

We maintain a subcustodian arrangement with the Depository Trust Company's (DTC) custody operation in New York. This facility must comply with local market practice and regulations and conform to strict industry standards for the safekeeping of physical assets.

The DTC custody operation vault and the adjacent securities processing units are highly secured against unauthorized entrance and activity. The following strict security measures are maintained at DTC's custody operations physical safekeeping facilities:

- All DTC employees are bonded.
- Special building badge identification is required to enter the building.
- Special DTC identification badge is necessary to access any DTC space within the building.
- Additional card access system is necessary to gain access to a securities processing location within DTC.
- Only vault staff is permitted in the vault; the vault has an additional level of badge access.
- Security guards are stationed at all entrances to areas that process securities activities with additional guards at the vault door.
- All security processing work areas are under camera surveillance.
- All securities are imaged, prior to deposit to the vault; the imaging system can be accessed from a remote location.

All securities are held in DTC's vault by participant, by security. Every security withdrawal from the vault is performed in the presence of at least a minimum of two authorized employees.

United Kingdom

In the UK, physical certificates are held at the Edinburgh office location and stored in a fireproof, double combination-locking safe which is situated within a secure vault area. Access to the vault area is via a double-locking vault door and alarmed cage door.

Access to the vault is dual controlled and only certain members of staff, who do not also have responsibility for input or settlement of instructions, are authorized to withdraw and deposit physical certificates. Initial access to the secure vault door is by swipe card via an alarmed door, the system for which is linked to the local police station. Two sets of keys are required to open the vault door and dual-swipe card access to open the cage door. Once in the vault area, the cage door must be closed within a short period of time to prevent alarm activation. Safe access is via a two key-operated combination locked safe door.

The vault and surrounding area is constantly monitored by closed circuit television.

Canada

Physical securities are held in the operation of our vaulting agent. Following our operating requirements, our vaulting agent is required to notify State Street of all receipts or deliveries of physical securities via SWIFT messaging. Upon receipt or delivery of physical certificates, our system is updated to reflect accurate customer positions.



D. Custody – Third Party Securities Lending

1. How are holdings information and transactions communicated between parties (SWIFT, ISITC, e-mail, fax, etc.)? What system(s) does your organization use to support your clients' third party lending programs? Is it the same system that is used for your organization's proprietary securities lending business?

We provide a number of methods of communication with lending agents, emphasizing electronic methods wherever possible. Transactions are received electronically through proprietary products, as well as a number of vendor products. Lending transactions, which are received electronically, are processed within State Street's third party lending application and are forwarded to the subcustodian/depository for settlement. This lending application was developed for the processing of third party lending transactions and is not used by our internal securities lending team.

Transactions sent via facsimile are authenticated and manually processed directly to the customer's account.

2. Does your organization currently support third party lending programs for any of your custody clients? If yes, for how many clients? How long has your organization been supporting third party lending? Please provide a list of all third-party lending agents with whom your organization is currently working or have worked with in the past.

Yes. State Street supports third party and principal lending programs for approximately thirty customers. State Street has been providing third party lending services for over 10 years. .

We have electronic links with the following third party lending agents/principal borrowers:

- AG Edwards
- Brown Brothers Harriman
- Boston Global Advisors
- CIBC Mellon
- Citibank
- Credit Suisse First Boston
- Goldman Sachs Agency Europe
- HSBC
- Metropolitan West Securities, LLC
- Morgan Stanley
- Old Mutual Trust (US) Co. – eSecLending, LLC
- Dresdner Bank
- Royal Trust Co.
- UBS Securities, LLC
- Bank of New York



3. Describe the method of coordination between your organization as custodian and third party agents.

Within our North American Transaction Processing (NATP) department there is a dedicated team of individuals whose sole objective is to service third party lending agents. We will assist the third party lending agent in the transmitting of a daily overnight share availability and on-loan positions file. Settlement and failed trade information will be provided via State Street's online tool, CustodyNet.

For sales information, the investment manager will communicate all sales to the lending agent on trade date. The lending agent will determine whether a loaned security must be recalled to satisfy the sell obligations and will provide trade instructions within State Street's instruction deadlines.

4. Is your organization willing to provide contractual settlement for securities/portfolios being loaned by a third party agent or borrowed by a principal borrower? Does your organization make a distinction between domestic and international securities?

For any customer participating in a third party lending program, security settlements and the receipt of dividend income is paid to a customer's account on an actual receipt basis.

5. Does your organization have a dedicated group responsible for third party lending support? If so, where does this group fall within your organization (custody, securities lending, other)?

Yes. As previously stated, we have a dedicated team of individuals whose sole objective is to service third party lending agents within our North American Transaction Processing (NATP) department.

6. How is operational risk minimized for your organization's clients using third party agents? Please detail your organization's daily reconciliation procedures.

The use of a dedicated team provides a group of specialists focused on third party securities lending, allowing us to be particularly responsive to any potential operational issues which could occur within a customer's lending program. Detailed operating procedures are implemented with each lender to establish the responsibilities of the custodian and lending agents. Also, our preference is to receive transactions electronically. The transactions are processed automatically within our proprietary lending application reducing the possibility of manual input errors.

In regards to daily reconciliations, on loan and collateral holdings are provided electronically to lending agents/principal borrowers and collateral managers. The lending agent and collateral manager is responsible in notifying State Street of any exceptions. State Street will work with the lending agent and collateral manager towards resolving all exceptions.



7. How are recalls, corporate actions, and income collections handled for securities out on loan?

For recalls, each day the Investment Manager will communicate all sales to the Lending Agent/principal borrower on trade date. The Lending Agent/principal borrower will determine whether a loaned security must be recalled to satisfy the sell obligations and provide instructions to State Street within the deadlines described on Schedule B of the State Street Third Party Lending Operating Procedure attached in **Exhibit III**.

8. How does your organization ensure that the third party lenders receive timely notification of corporate actions?

The lending agent has primary responsibility for corporate action monitoring for those shares that are on loan. As such, the lending agent is required to provide State Street and the lender with corporate action notifications. The notifications must indicate the on loan position, options as the lending agent knows them, the default action, payment instructions and debit date (if applicable). State Street will compare the lending agent's notice with the information in State Street's custody system and will notify the lending agent of discrepancies. Using the notifications provided by the lending agent, with a check against information obtained by State Street from our own sources, State Street will provide the lending agent with a cumulative summary of outstanding corporate actions for all voluntary events, on a daily basis (Monday - Friday) based on the prior day's information. This notification will indicate State Street's loan return date, deadline date, fund number, action type and settlement location. It is the lending agent's responsibility to carefully review this summary. The lending agent will notify State Street of any discrepancies on outstanding corporate action events. State Street will assist the lending agent with discrepancy resolution.

9. How much time does your organization allow third party lenders to return securities from being on loan once the client or investment manager has communicated its response to the corporate action?

Lender/lending agents desiring to return securities to State Street in order to avoid involvement in the corporate action process should ensure that securities are returned to State Street's confirmed possession at the location from which they were borrowed by loan return date. The loan return date for expiration date actions will be our deadline date. Loan return date for non-U.S. entitlement date actions will be the applicable entitlement date (i.e., ex, record or effective) minus two business days. Loan return date for U.S. entitlement date actions will be entitlement date minus one business day. Required re-registration may affect stated deadlines. The lending agent is responsible for timely contacting State Street regarding shares requiring re-registration and related deadlines.

State Street will not advise the lending agent of the action to be taken for loaned securities until the loan return date has passed, except in situations where there is an impact on the value or timing of receipt of resulting entitlements (i.e., rights sales).

If State Street has advised the lending agent of the action to be taken, the lending agent may not return securities to State Street for the purpose of having State Street process the lender's corporate action elections. In the event shares are returned after the loan return date, State Street will use commercially reasonable efforts to exercise corporate actions for shares returned after the applicable deadline referred to herein; however, State Street assumes no liability for the effective exercise of such action.



10. Discuss your organization's policy and resolution procedure relative to failed trades. Who assumes responsibility for settlement failures?

State Street shall notify the lending agent of the sell fails for which they must reimburse the lender's investment portfolios. We will compute the amount of reimbursement due from the lending agent and, if requested, will provide the lending agent with calculation and evidence supporting the lending agent's responsibility for the fail.

11. Would your organization supply or build any required interfaces between your systems and third party lending agents? If yes, how long will it take to establish all necessary interfaces? At what cost?

The Lending Agent/Principal borrower is responsible for any development costs required to establish interfaces between State Street's system and themselves. Upon receipt of the requested specifications from the lending agent/principal borrower, a detailed analysis would need to take place and requirements documented so the State Street development team could project a time and cost estimate.

12. Please discuss custodial fees, wire fees, systems development costs and any other fees or costs associated with third party lending and which parties have responsibility for those fees.

Please refer to the enclosed Fee Schedule.

13. Are the fees for third party lending transactions the same as those charged for the custodian-lent portfolio? If not, please detail the differences and explain why the fees would not be the same.

When using multiple bank services, the custody fee would provide a discount so the fees that you are paying would be part of a bundled package. By participating in a third party lending arrangement there is no discount available.

For the purposes of this proposal, we are waiving certain custody charges (as outlined in Appendix E) to demonstrate that we want to remain your custodian. If however the lending agent is not State Street you will be paying the full cost for that service.

Please refer to **Exhibit III** for the Fee Schedule and Operating Procedures for third party lending.

14. What safeguards does your organization have that prevent your internal securities lending area from lending securities designated for our third party lenders? How does your organization ensure the confidentiality of third-party lenders' data?

State State's policy is to not allow multiple lending agents/principal borrowers to lend on the same portfolio. A portfolio is designated within our system as to be lending by either our internal lending area or by a third party lending agent/principal borrower. Our internal lending area would only see securities available to lend for those portfolios for which they have been designated for.



To ensure the confidentiality of the Lender’s lending data, share availability and on loan information is transmitted directly from our custody system to the lending agents via dedicated communication lines. Also, if the Lender should ever add or terminated lending agents within their lending program, strict procedures are followed to ensure portfolio access and transmission files are updated with the approved lending agent.

15. What are your organization's standard Fed, DTC, and wire instruction deadlines to process trade activity for a third party lender? Please provide details for faxed, electronic, or other instructions.

Please find below our Fed, DTC and wire instruction deadlines:

Country	Settlement Type	Instruction Type	State Street Instruction Deadline (Eastern Time)
United States	Same Day	All (loan and collateral transactions)	TD @ 2:00 p.m.
United States	Next Day	All (loan and collateral transactions)	TD @ 5:00 p.m.
United States	2 days or more	All (loan and collateral transactions)	TD + 1 @ 11:30 a.m.
United States	USD	Fed Wire (loan and collateral transactions)	SD @ 4:00 p.m.

16. What procedures does your organization have in place for chasing DTC or late principal and interest payments as well as compensation on such funds?

Loan transactions are transmitted to DTC from our custody system in a real-time manner utilizing the appropriate DTC stock loan reason codes. The use of the stock loan reason codes allows DTC to record participant's on loan positions for the purpose of tracking and distributing P&I payments to the beneficial owners through their stock loan tracking functionality. Once the loan is settled at the depository, our custody records are electronically updated to reflect the position on loan. These on loan positions enable our customers to clearly identify securities that they have out on loan and facilitate the automated creation of income receivable records for expected P&I payment adjustments to be generated through DTC's loan tracking facility. Since the vast majority of P&I payments are distributed automatically via DTC's stock loan tracking program, instances of late payments are rare. When they do occur, they are researched and resolved on a case-by-case basis.

E. Custody - System Capabilities

1. Was the existing MT/MC software developed internally or externally? How is it supported? If developed and supported externally, who is the vendor?

Yes. Our proprietary Global Horizon architecture was internally developed in 1981. An enhanced module of our portfolio accounting system that accommodates "as of" accounting was installed in 1988. The system was then completely revamped in 1990 to incorporate multicurrency capabilities and we continue to add enhancements to meet our customers’ needs.

State Street has a dedicated staff of 3,200 technology employees worldwide responsible for the research, analysis, development, enhancement and maintenance of our core and customized technology solutions within our Information Technology (IT) organization. Additionally, we have over 600 technologists strategically situated in various business areas dedicated to IT support within their respective business units.



2. Describe recent modifications of significance to the core accounting system, and to the security movement and control system. When were they implemented?

We enhance our systems continuously to keep up with the needs and demands of our customers. Recent enhancements implemented over the last five years include the following:

Flexible Fund Cycle

In order to meet the local market requirements of our worldwide customer base, Flexible Fund Cycle provides users with several new accounting related enhancements. Through this initiative, funds have the ability to close their books at nearly any time of the day to calculate their NAV. Calendar based month-end and year-end processing may then occur respectively on any day of the month or year.

To accommodate these changes, Global Horizon cycles were redefined. Corporate actions are automatically synchronized with price changes of securities based upon the timing of a fund's NAV. Several downstream applications were amended to provide increased flexibility, enabling us to be more global in our systems approach. These changes ensure data consistency across the flexible periods and improved information flow to our customers and investment managers.

Financial Transaction Manager

While a number of organizations have made changes to bring them closer to being able to operate in a T+1 environment, State Street recognized early on that a fundamental shift would be required; therefore, we developed our Financial Transaction Manager (FTM) application. FTM is a real-time, rules-based workflow application that captures, enriches, prioritizes and routes transactions through our system, greatly enhancing the quality and timeliness with which transactions reach our settlement agents around the world. Recognizing this fundamental shift necessitated by the eventual change to a T+1 settlement environment will allow us to set the standard for Straight Through Processing, using our strength in technology as a lever. This project has dramatically improved the percentage of transactions that are processed straight through.

Additionally, FTM provides us with a competitive advantage by presenting an opportunity for IT and business-line employees to work with innovative, cutting edge technology, one of the leading draws of top-notch candidates according to our staffing research. The ease of use allows new employees to achieve appropriate productivity levels more quickly and reduces the cost of training. The reporting capabilities assist in identifying possible STP improvements and supports requests from Investment Managers for feedback on how they can better achieve STP. Finally, the FTM architecture is highly leveragable supporting our efforts with the GSTPA trade matching initiative, reusing both workflow and rules architecture.

Computerworld Magazine recently selected State Street's development of the FTM application for its "Best in Class" awards for IT, which recognizes the top 10 innovative technology projects during the past year that delivered real business value.

Global Transaction Manager

A similar application to FTM, Global Transaction Manager (GTM), has been developed to position State Street to interact with the Virtual Matching Utilities (GSTPA's Transaction Flow Manager, OMGEO's Central Trade Manager). State Street has played a leading role as a member of GSTPA's pilot group and is one of only a few with an end solution fully developed and functioning.

**State Street Global Link[®]**

State Street Global Link[®] is a robust worldwide network that provides real-time, one stop access to market research, portfolio analytics, trade execution, order management and confirmation matching services. The network simplifies, clarifies and streamlines investor activity at all stages of the trade cycle.

Global Link[®] delivers an integrated product suite using advanced technology that makes straight through processing a reality for investors worldwide. The network offers tools for investors across multiple asset classes including foreign exchange, money markets, futures, equities and funds.

Global Link[®]'s suite of products:

- support the decision making process
- expedites trade executions
- facilitates trade confirmation and settlement procedures
- span multiple asset classes, counterparties and markets

Global Link[®] continuously undergoes enhancements to meet and anticipate investors' changing needs. Since inception in 1996, Global Link[®] has evolved into a multi-asset class, multiple counterparty network that delivers research, analytics, trade execution and other management tools across multiple markets.

Our focus has been – and continues to be – the creative use of technology to strengthen our position in the markets we serve and position us for future growth.

3. What enhancements of significance is your organization planning to make, and what is your organization's timetable for implementation?

We regularly enhance our systems to meet customer's needs and demands as well as the introduction of new instrument types into the market. We have the following plans to enhance our core infrastructure, custody and accounting capabilities in the coming 12-18 months.

Continued Enhancement of Global Transaction Manager and Financial Transaction Manager – State Street will continue to work aggressively to achieve Straight Through Processing and should the T+1 settlement initiatives re-emerge, we will be well positioned to support our customers.

Enhanced Reconciliation Processing – We are expending significant resources to streamline our reconciliation tools between investment managers and plan sponsors. This work will benefit customers to obtain more rapid identification of performance discrepancies to ensure integrity of performance returns for plan sponsors.

Enhanced Commingled Look Through – State Street is currently redesigning our 'commingled look through' process to increase efficiencies of receiving, storing and utilizing the detailed portfolio information that underlies commingled investments products. This underlying detailed information is used in place of the "line item" that otherwise appears in the customer's accounting reports that records the investment position.

The redesign of the 'commingled look through' capability will "take a slice" of the complete commingled investment product profile, based on the investing customer's pro-rata share of the total commingled product. The detail of information in that "slice" of the portfolio can be used for exposure and attribution analysis, asset allocation reporting, compliance monitoring and other relevant downstream applications.



A key aspect of this redesign is a leverage-able architecture that will efficiently and flexibly support accurate processing. This will arise from centralization and standardization of the process in support of similar requirements across multiple applications, businesses and locations within State Street.

Also, there are numerous other enhancements underway in the performance, securities finance, compliance, and online reporting areas.

4. Describe the systems' security procedures.

State Street manages access to systems and information through a series of controls based on industry best practices. All requests for access must be approved by a senior vice president or designate who is authorized by State Street to approve access. Each user is assigned a unique identification code (user ID) and authentication method to access a system. A user ID must be deactivated after three consecutive, incorrect authentication attempts. User passwords where technically feasible, require a combination of alpha, numeric, upper and lower case or special characters. They expire every 90 days on platforms and applications that enforce strong password rules. All other passwords expire every 30 days. Adherence to the aforementioned controls ensures that users gain access to data for which they are authorized.

5. Are there back-up capabilities in case of malfunction or disaster? Does your organization have a back-up site? A hot-site? Describe in detail. How frequently are the disaster procedures tested?

Yes. State Street employs several technologies for data backups and methods used are determined by the recovery requirements of the application. As a first level of data protection, full tape backups are created on a weekly basis and incremental tape backups are created on a daily basis. Two copies of the tape are created in both instances and one copy is sent to our off-site storage facility.

Remote copy technology is another method used where data is remotely mirrored to a recovery site, replacing the need to perform traditional tape recovery. Production data is transmitted throughout the day allowing for more rapid recovery.

Midrange systems utilize remote hot standby technology, allowing for the continuous journaling or simultaneous posting of data to an identical hardware configuration at a physically remote site.

In order to accommodate future business growth and customer requirements, State Street has constructed a new, 24x7 state-of-the-art data processing facility in rural Massachusetts.

The new location is ranked as a premier data center, being one of only six fully configured 2N data centers in the world today. The 2N designation means that the building's utility infrastructure has been designed as two separate and redundant facilities; either one is entirely capable of supporting the data center on its own.

State Street's role in the U.S. financial system and global marketplace and the recent Federal Interagency guidelines for business continuity and recovery after September 11, 2001, were all drivers of the 2N design.

The 135,000-foot facility contains 61,000 square feet of raised access floor, a command center featuring the latest technology and an executive management command room with global management capabilities. This facility is unique, as the only privately owned building now providing embassy-class security.

**Business Recovery Exercises**

Recovery exercises must be conducted at least annually for the following:

- Integrated multi-platform exercises
- Stand alone application/system exercises
- Business unit recovery (relocation, workload swap and split operations)
- Walk-through exercises with senior management participation
- Call tree/notification (twice annually)

The Incident Management program sponsors annual Executive Simulations to test the interdependent communication network between senior executives across the corporation globally.

In addition, State Street supports customer recovery exercises.

Technology Recovery Exercises

Technology recovery exercises are conducted for each platform at least yearly. Last year, over 100 data processing recovery tests were performed – a number that is expected to increase as new applications are rolled out. Recovery exercises must be conducted at least annually for the following:

- Integrated multi-platform exercises
- Stand alone application/system exercises

There are several variations of recovery exercises that include a combination of the following:

1. Recovering/failing over the operating system environment and functions.
2. Recovering/failing over designated critical application files and software systems.
3. Establishing communication links from the vendor recovery site to the surviving data center to provide connectivity from the recovered mainframe systems to the systems at the surviving data center.
4. Establishing communication links to provide user access to perform critical online and batch processing functions for the restored applications.
5. Establishing and testing critical data communications links to designated critical remote customers and services. These links include domestic customers and services, global facilities in Europe, the Pacific Rim and other hotspots.

The integrated multi-platform recovery exercises include executing the recovery of mainframe systems, mid-range systems (both Remote Hot Standby and traditional tape restored systems), and open systems applications. State Street integrates the recovered multi-platform systems into a functional environment and tests transaction process flow from one platform to another. Application support and business unit personnel verify the accuracy of the recovery process. In addition, network connectivity testing is performed with various customer and vendor sites. Issues associated with recovery exercises are documented, tracked and updated accordingly until final resolution. State Street conducts these types of integrated multi-platform recovery exercises a minimum of two times per year.



6. Does your organization provide on line services to your clients? List the types of information available on-line. During what hours is the system available each day of the week?

Yes. The following standard reports are available through our information delivery platform:

<i>Accounting</i>	<u>Report</u> Cash Statement Compliance Corporate Actions Earned Income Foreign Exchange Holdings Income Receivable Ledger Account Balance Lot Level Holdings Open Trades Positions Purchase and Sales Trial Balance Ledger	<i>Custody</i>	<u>Report</u> Corporate Actions Positions Trades
		<i>Cash</i>	Global Cash Statement
		<i>Performance and Analytics</i>	Domestic Equity Analysis Domestic Fixed Income Analysis Global Attribution Universe Reporting VaR Analysis CMS Fixed Income Reporting
<i>Plan Accounting</i>	Valuation	<i>Securities Lending</i>	Loans

Our information delivery platform is available 24/7/365. Online data is either real-time or refreshed nightly in batches, with the new data available by 7:00 a.m. ET the following day. In addition, we offer reports on tapes, CD-ROM, diskettes, microfiche and electronic feeds, upon request. State Street’s customer service teams can also work with you to meet your specific needs.

7. Does your organization provide file transfers to your clients? How many clients does your organization currently service with a file transfer? How often is a file transfer made (Daily, Monthly, etc.)?

Yes. State Street provides a daily file transfer of holdings and cash transactions from our accounting system to the QED system.

8. Can your organization customize information for the State's needs? Briefly describe any unique services provided to other customers.

Yes. As a specialized provider, we have worked collaboratively with many large public organizations to develop customized service and technical solutions. We have significant expertise in creating innovative solutions that include financial accounting, plan accounting, reporting, custody, securities lending, on-line access to data, cash sweep services and transition management. We understand the unique challenges that public fund organizations face and are fully committed to helping them improve operational efficiency while meeting their fiduciary responsibilities.

We are in the process of developing a database for a customer that will be used to populate certain transaction fields in three separate files that require information on derivative investments and the underlying collateral. This information will be sent via an internet connection using PGP encryption at 8:00 a.m. every business day.



9. What security features are in place with your organization's on-line service? Would these security features be in place on the dedicated line?

State Street uses industry recognized security procedures to secure both internal and external systems. These include, but are not limited to, authentication, data encryption, entitlements, application architecture and production run-time environment.

Our information delivery platform uses industry standard X.509 certificates to identify the web server to the user. By checking the identity presented by the certificate, users can verify that the website belongs to State Street, thus protecting against website spoofing.

In addition to the authentication function of the server certificate, the certificate also enables encryption of data between the browser and web server using Secure Socket Layer (SSL). All information delivery platform web servers, domestic and international, are configured with 128bit global server certificates. Information delivery platform entitlements, including, subscription, report and fund level privileges are controlled within the platform. Individual user IDs are then given privileges to that particular customer. This mechanism ensures that users gain access only to data for which they are authorized.

10. How current is the information that is accessed? Is it real-time? How many times daily is the master file updated? How long is information available on the system?

Online data is either real-time or refreshed nightly in batches, with the new data available by 7:00 a.m. ET the following day.

As previously stated, the availability of historical information online depends upon the type of data and the specific report requested; some information is available online indefinitely.

Electronic Data Retention Requirements	Records are stored permanently
Data Retention Policies – Online Information Delivery Platform	Accounting – 90 days of daily information and month end information since conversion Performance & Analytics – since fund inception
Customer Records Retention	7 Year Storage <ul style="list-style-type: none"> • Month end and annual reports • Customer correspondence • Proxy reporting • Regulatory reporting (federal, state, local) • Corporate action files

Additionally, most of the historical data that is not currently available online can be obtained via a two day "rebuild" process, per the customer's request. There is no additional charge for the two day rebuild.

11. How many months of holdings and transaction data is available on-line?

Please refer to our response to question #10 in this section.



12. Please describe the unique services available through your organization's on-line system as compared to your competition?

Customers can request, configure, access and format information through our on-line internet-based delivery platform. Specifically, our on-line platform provides access to Accounting, Cash, Custody, Compliance, Securities Lending, Performance and Analytics, Corporate Actions, and 3rd party market information. Customers currently access information in the following ways:

- Consolidated financial information views,
- Predefined on-line reports,
- Ad-hoc reports and data access

While our current capabilities provide significant value to our customers, we are consistently enhancing and expanding our customer's ability to view, access, sort and configure critical information to enable increased customer productivity. Our commitment to our customers is to rapidly deliver our envisioned "next generation" functionality every quarter.

Additional details regarding our current on-line information delivery capabilities; Consolidated Financial Information, On-line Reporting and On-line Data Access are summarized below. We have also included an overview of our planned "next generation" reporting capabilities.

Custom Reporting: Current Capabilities

Consolidated Home Page Views – Customer Content and 3rd Party Information

The homepage of our on-line platform contains a consolidated view of what our customers have indicated is their most valuable account summary information such as: Net Asset Value, Top Holdings and Security Exposure. This information is immediately accessible upon login and can be customized by time period and by fund. For example, at a glance users can evaluate their holdings with no additional configuration required.

On-line Reports

Our reporting capabilities provide state of the art functionality that enable customer users to customize reports; easily scan a report to find information needed, schedule reports and download reports to other formats such as Microsoft Excel and Adobe PDF. On-line reports are produced via off-the shelf report generating tools.

Several pre-formatted report templates have been created to address customers' needs. Users can customize data fields, timeframes and funds within these templates and save them as public or private reports for future use. Each report has been configured with a table of contents, which provides users the ability to quickly move between sections and logical subgroups within a report. Users can also search for and find a particular field or number within a report and drill-down to detailed information from summary level data.

On-line Data Access – Inquiry Tool

In addition to reporting capabilities, our on-line platform enables customers direct access to their data. This simple to use, inquiry-based capability enables both novice and expert users to mine their data based on their most frequently requested data and information needs, or purely on an ad-hoc basis.

The inquiry tool provides access to pre-formatted quick queries, which represent the most frequently utilized sets of data or inquiries by our users. These quick queries can be customized in terms of data fields, timeframes and funds. In addition to quick queries, the inquiry tool has a powerful dynamic filtering capability that enables users to establish their own customized queries across content categories.



Real Time Reporting - CustodyNet

To help our customers succeed in an increasingly complex global marketplace, we offer CustodyNet, an online window into our custody system that is available as part of the online subscription. CustodyNet provides an unmatched level of support, as information is updated on a real-time basis as trades are booked and settled. This approach is the foundation on which tailored solutions to custody queries can be built.

CustodyNet responds to portfolio inquiries based on trading in a single market or many markets around the world. Multi-view capabilities and flexible formats are provided for summary and detail information on trade activity, positions (by settlement locations and on loan) and corporate actions.

CustodyNet makes it easy to produce standard, frequently used documents. Additionally, its flexible screen layout allows customers to easily customize documents in response to ad hoc queries. Customers can customize order groups by combining portfolios and funds for specific analysis. Viewed as a report or spreadsheet, data can be saved and readily exported into a variety of downloaded formats.

Custom Reporting: Next Generation Capabilities

We are in the process of enhancing and expanding our current on-line offering and expect to realize some of these enhancements before the end of this year. Our goal is to help our customers become more productive by reducing their need to sort through multiple data sets, applications and reports. Specifically we intend to enhance our customers' ability to configure, access, review, sort and store their account information. In addition, we will facilitate the ability to integrate supplemental 3rd party data and offer new productivity tools to enhance customer decision-making around risk, compliance and performance.

Information presentation of customer specific information will continue to utilize familiar spreadsheet functionality (e.g. sort, sum, drilldown) and off-the shelf reporting tools. This will eliminate the need to download reports and data from an on-line platform to combine reports and data at the desktop level.

Users will be able to customize across several dimensions. Content views can be customized by filtering across several categories (e.g. financial institution, fund family, asset class, fund or shareholder class). Within a category (e.g. fund family) data will be provided at the summary level with the ability to drill down to the detailed level. Additionally, users will have the ability to customize thresholds or tolerances to help manage their portfolios. Alerts will be provided online and through email to help users understand when there are exceptions.

13. Can a client communicate information to your organization on-line? Does your organization currently provide E-mail?

Yes.



14. In addition to paper and on-line, can your organization provide information to clients, so it may be processed to the client's system? Is your organization currently doing this for any other client(s)? In what format and for how many clients?

Yes. State Street supports over 6,000 data feeds to support interfaces to customers, vendors and third-party applications. By taking a consultative approach to fulfilling your automation needs, we are able to help our customers achieve a level of straight through processing and integration of best-of-breed in-house products, which are unmatched in the asset servicing industry. We have made this possible through a combination of specialty desktop applications, direct system-to-system interfaces and data warehouse products resulting in solutions common in their components, yet tailored to each customer's unique processing environment.

15. Identify third party investment and portfolio management systems with which your organization is currently interfacing.

The following list is a representation of the investment accounting systems we currently support:

- CPORT, owned by State Street
- Portfolio Accounting System, owned by State Street
- CAMRA, owned by SS&C
- EPS, owned by SunGard
- Invest One for transactions
- Portia, owned by Thompson Financial
- SunGard
- PAM
- QED

16. What enhancements is your organization currently planning to add to your on-line services?

As previously stated, customers can request, configure, access and format information through our online information delivery platform. Specifically, our online platform provides access to accounting, cash, custody, compliance, securities lending, performance and analytics, corporate actions, and third party market information. Please refer to our response to question #12 in this section for further details.

17. What provisions are made for training of client personnel on the on-line system? How is this service supported to ensure total client benefit?

When the State has determined the need for training, they would contact the customer service team who would coordinate the training with the State and our client technology integration team. Training has taken place in the State's office and online using "placeware" software.

Whenever training occurs, the customer service team is present to ensure that the State's training needs have been met.



F. Global Custody - Organization

1. When did your organization begin providing Global Custody? Please provide a brief description of your organization's international custody service.

State Street has over 80 years of expertise in providing custody services. The expansion of our network into foreign markets began in 1981. Today, our network of 103 markets provides unique resources for our customers.

The following chart outlines our service offerings:

Service	Provision	Position in Group
Settlement – Cash and Securities	1981	Global Services
Safekeeping	1924	Global Services
Income Collection	1991	Global Services
Corporate Actions	1985	Global Services
Proxy Voting	1924	Automatic Data Processing as of 1992
Tax Reclamation	Pre-1980	Global Services
Local Market Data*	1986	Global Services

2. How many clients and assets does your organization have with international investments?

Within our Institutional Investor Services division, as of March 31, 2005, we had 180 customers with US\$ 311 billion in international assets under custody.

3. Please complete the following matrix for all clients with international investments as of December 31, 2004:

As of 12/31/2004

	# of Clients	Total Assets \$B
Corporate Funds	81	\$112
Public Funds	49	\$181
Taft-Hartley Funds	4	\$3
Endowments/Foundations	46	\$15
Other		\$
Total	180	\$311

4. How many clients with international investments have been added in the past three years? How many has your organization lost and the reason(s) for their departure?

State Street provides gained / lost figures for our IIS customers in aggregate only as shown in the chart below:

	Customers Gained (Number)	Customers Gained (U.S.\$ millions)	Customers Lost (Number)	Customers Lost (U.S.\$ millions)
2004	30	\$48,560	6	\$36,620
2003	203*	\$158,622	4	\$5,193
2002	26	\$165,847	11	\$62,016

Customers who leave State Street generally do so because of pricing considerations or a desire to consolidate to a single provider or local solution. However, several customers who have left have subsequently returned to State Street because we offer complete solutions that precisely fit their investment needs.

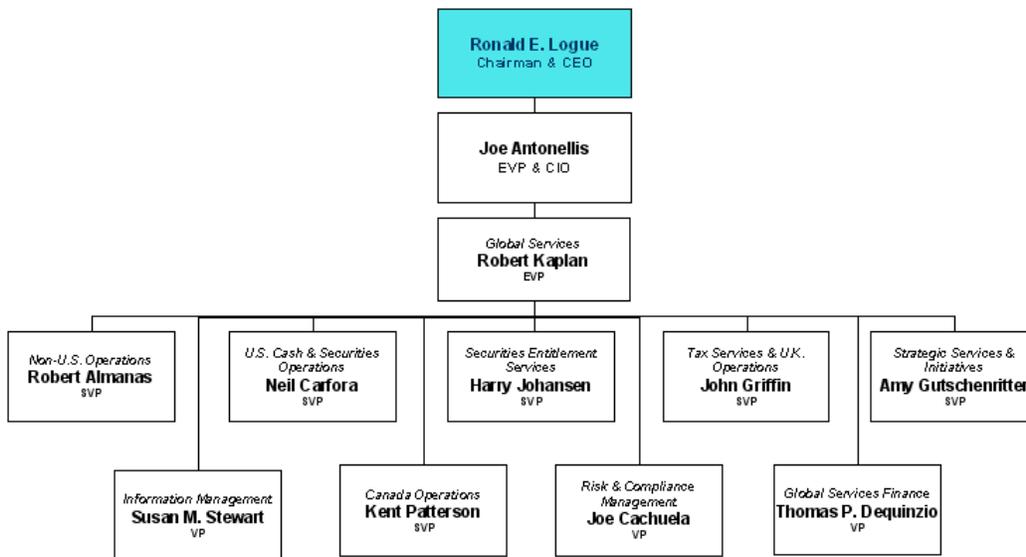


5. What is the size of your organization's staff involved in international custody services? Where are they located? Please provide an organization chart including relationships within the overall custody organization.

State Street’s North American* offices currently have 1,037 employees in our Global Services division.

Our U.S. and non-U.S. custody operations are integrated within the Global Services division at State Street. The various units controlling, agent bank and depository relationships, securities settlements and reconciliation resolution are organized by geographic areas. Other custody functions, such as income, corporate actions and tax processing, are organized internally along the same geographic lines but exist within a functional environment.

Our structure allows us to leverage operational and regional similarities to maximize the efficiency of service and level of custody expertise we offer to our customers.



6. Please provide client names, contacts, addresses and telephone numbers of at least three references for international custody relationships?

Wayne Greathouse,
 Director of Investments
Arkansas Teacher Retirement System
 1400 West Third St
 Little Rock, AR 72201
 (501) 682-2004

Mike Mueller
 Assistant Director of Investments
Oregon State Treasury
 350 Winter St N.E.
 Salem, OR 97301
 (503) 378-4111

Mansco Perry
 Assistant Executive Director
Minnesota Sate Board of Investment
 60 Empire Drive
 St. Paul, MN 55103
 (651) 296-3328



7. How long has your organization's current global accounting software been in place? What major enhancements has your organization made in the last three years?

Our proprietary Global Horizon architecture was internally developed in 1981.

As previously described in our response to question #2 in section E, we have made the following recent enhancements:

- Flexible Fund Cycle
- Financial Transaction Manager
- Global Transaction Manager
- State Street Global Link[®]

8. Is your organization planning on expanding this service?

Yes. We continually enhance our system to meet our customers' needs.

9. What are the divisions of responsibility between your organization's U.S. main office, overseas office(s), if any and sub-custodians?

State Street offers our customers the benefit of a global perspective backed by local industry expertise. In 1970, we opened our first international office in Munich. Today, we have office locations in more than 20 countries and a global custody network of subcustodians in 103 markets. With over 19,600 talented and dedicated employees in our offices around the world, we offer customers the benefit of a global perspective backed by local industry expertise.

Our products and services are focused on four principal capabilities: investment servicing, investment management, trading services and investment research. State Street's customer base is increasingly diverse. This requires that our service centers around the world provide the highest level of assistance to satisfy the needs of our local and global customers.

Each local office is responsible for regional oversight of our customers' custodial needs and reports into our U.S. headquarters, located in Boston, Massachusetts. In addition, our Network Management team ensures our subcustodians are appropriately working on our behalf.

Services offered to our customers vary by market and may include the following: fund administration services (including accounting), compliance reporting, shareholder services, cash and trade processing, corporate actions, tax reclamation, domestic and global custody, and foreign exchange execution. Some of the day-to-day operational functions may be performed by our local offices depending on the location, the type of customer and local regulatory requirements.

On a subcustodian level, each of our subcustodians commits to State Street's rigorous operating requirements through our Subcustodian Agreement. The subcustodians must be able to meet State Street's stringent operating requirements. They must demonstrate their ability to execute timely, accurate trade settlements, income payments, corporate actions (including proxy voting), tax reclamation and problem-solving tasks. The subcustodians must be able to cope with large trade volumes, handle complex transactions and demonstrate progress in the use of technology and telecommunications systems (such as SWIFT). Furthermore, the subcustodians are required to participate in pre-matching systems and securities depositories, serve as advocates for our customers in the local market, mitigate risk on behalf of foreign investors, demonstrate effectiveness in problem solving, and communicate and respond to market events in an accurate and timely manner.



By leveraging the strength of an integrated global network and an impressive infrastructure, we provide our customers with a worldwide platform for growth, creating custom-tailored solutions that can support even the most complex investment strategy in virtually any market.

G. Global Custody - Security Movement & Control

1. Describe your organization's international safekeeping network. Include all of the countries in which your organization proposes safekeeping securities. Please provide a list of your organization's sub-custodians by country, amount of assets held by each sub-custodian, the year the relationship began and your organization's criteria for selection.

Our global custody network covers 103 markets worldwide. In the United States, Canada and the United Kingdom, we utilize our own local market custody operations. In other markets, we have selected a local agent bank to act as our subcustodian.

We are committed to providing subcustody services of superior quality to our worldwide customer base. Our objective is to obtain custody and associated services from established institutions that are demonstrating a consistent and extensive level of commitment to the securities processing and custody business. These institutions are expected to comply with our specific operating and service requirements. The operating requirements clearly establish the criteria for performance by the subcustodian. We re-appraise all of our subcustody arrangements on a regular basis to ensure that we continue to maintain the highest level of quality, efficiency and operational integrity throughout our network.

Please refer to **Sublist.doc** for a complete list of our global custody network, including the amount of assets held at each subcustodian and the year the relationship began..

Subcustodian Selection

To keep pace with the emerging market investment needs of our customers, State Street has developed a comprehensive structure for entering new markets and selecting subcustodians. The selection of a new subcustodian is driven by a number of factors, including our market expansion efforts, the emergence of new providers in existing markets, the departure of current providers from the custody business and the desire to change providers to increase service levels.

State Street's rigorous subcustodian selection process is designed to assist us in identifying the bank that displays securities processing expertise and a comprehensive knowledge of the local market.

Existing markets

When selecting a new subcustodian in an existing market in our subcustody network, we observe the following process:

- We initiate a request for proposal (RFP) exercise to determine the candidate best able to meet State Street's stringent operating requirements.
- We undertake due diligence visits to the marketplace to validate information obtained through State Street's own research and from interaction with market participants.
- State Street's Enterprise Risk Management department reviews the financial credit worthiness of potential candidates to assess the financial stability of candidate institutions.
- We seek a commitment from potential candidates to adhere to State Street's procedures and controls set forth in our operating model.



New markets

When selecting a subcustodian for purposes of market expansion, we take the following steps:

- We identify potential subcustodian banks based on market research, input from our Enterprise Risk Management department and contact with market participants.
- Provided a candidate expresses interest in becoming our subcustodian, we send an RFP outlining our operating requirements. Each candidate completes a questionnaire describing how their services and capabilities compare to our requirements.
- We visit the market and meet with the candidates to verify their RFP responses and fees. We also meet with other market participants and regulators such as exchanges, brokers, depositories, the central bank and tax authorities.
- Our Enterprise Risk Management area prepares financial evaluations of the candidate banks.
- We identify finalists based on their ability to mitigate risks as identified in our Market Risk Evaluation and our assessment of their responses to the RFP.
- We prepare an Operational Design which defines how State Street will operate with the subcustodian and add further controls to mitigate risks as identified in the Market Risk Evaluation.
- The Market Risk Evaluation, RFP assessment, and Operational Design are presented to the Market Expansion Working Group. Our Market Expansion Working Group then makes a recommendation for subcustodian selection to senior management.
- Once senior management has approved the subcustodian selection, service arrangements, legal documentation and the fee schedule are finalized, and a customer information package is developed.

State Street's RFP Process

The main purpose of our request for proposal (RFP) is to facilitate the collection of information about the service capabilities and market knowledge level of potential candidates. Our RFP is divided into two sections:

1. The first section details our operating requirements in terms of structure, communications, processing and reporting.
2. The second section consists of a questionnaire that allows candidates to provide detailed information about their market, custodial experience, resources, organization and procedures.

We focus our assessment of the RFP responses on the following areas, which indicate a potential provider's effort at minimizing custody-related risks for State Street and our customers:

- The subcustodian's practices, procedures and internal controls
- The subcustodian's method of keeping custodial records
- The subcustodian's security and data protection practices
- The subcustodian's financial strength to provide reasonable care for customer assets
- The subcustodian's general reputation and standing in its professional community

We typically invite all viable subcustody providers to respond to our RFP when we evaluate custody in a given market. By providing each candidate with our stringent operating requirements as part of the RFP, we ensure that only the top candidates – those that have the capability to meet our criteria for securities processing expertise and commitment to exceptional custody service for customers – are able to respond to our satisfaction.



2. How does your organization monitor sub-custodian performance on an ongoing basis? Describe the controls your organization has in place to ensure the integrity of the sub-custodian settlement and custody reporting.

We monitor and review the performance of each subcustodian in our network on a regular basis to ensure that they continue to offer the highest level of quality, efficiency and operational risk containment.

Subcustodian monitoring at State Street is a multi-faceted activity that begins with assessment of day-to-day interactions between State Street and a subcustodian to determine the latter's compliance with agreed-upon operating parameters. We maintain the same operating requirement standards for all of our subcustodians, regardless of the market's level of sophistication.

From a tactical standpoint, we monitor a subcustodian's ability to:

- Execute timely, accurate trade settlements, income payments, corporate actions (including proxy voting), tax reclamation and problem-solving tasks
- Cope with large trade volumes
- Correctly handle complex transactions
- Produce quality reporting
- Demonstrate progress in the use of technology and telecommunications systems (such as SWIFT)
- Take meaningful steps to mitigate risk on behalf of foreign investors
- Quickly and accurately communicate market events

Regular service level calls have been incorporated into our monitoring strategy to facilitate the customer service management aspect of these assessments.

We visit all active subcustodians periodically in consideration of numerous factors (e.g., inherent risks in the given market, any changing subcustodian or market conditions, performance levels, etc.). Subcustodian visits are just one element of our comprehensive monitoring strategy. We ensure that a structured, formal due diligence review process is conducted on an annual basis for all subcustodian relationships. The formal due diligence reviews are conducted by Network Officers either during one of the on-site visits by State Street to a subcustodian, during a scheduled visit by a subcustodian to State Street, or during an arranged conference call between State Street and a subcustodian.

We also request that our subcustodians undertake periodic visits to State Street, so that we can conduct service level reviews with the operations staff that interact with the subcustodian.

To validate our ongoing monitoring and assessments, State Street expects an annual review of operational procedures and controls at our subcustodians. Normally an internationally recognized audit and accounting firm, unaffiliated with the subcustodian, performs this review. State Street generally receives an acknowledgment from the audit firm confirming the custody operations' internal controls and procedures used by our subcustodians.

Additionally, our Enterprise Risk Management department tracks the financial condition of subcustodians, using various credit rating services and financial publications, and provides regular monitoring reports as well as formal financial reviews for State Street's senior management.

3. Describe the turnover in sub-custodian relationships over the past three years and the reasons for the turnover.



Hiring of Subcustodians

State Street employs an aggressive expansion strategy that allows our customers to invest wherever an opportunity may arise. Additionally, the ongoing review of our current subcustodians occasionally requires that we change subcustodians in order to maintain the integrity of our global custody network. Thus, in the past three years, we have hired the following subcustodians:

New Markets

MARKET	SUBCUSTODIAN	AGREEMENT
Serbia	HVB Bank Serbia and Montenegro a.d., Belgrade	Dec. 2004
Malta	HSBC Bank Malta, Valletta	Feb. 2004
Cayman Islands	Bank of Nova Scotia Trust Co. (Cayman) Ltd., Grand Cayman	Apr. 2002
Uganda	Barclays Bank of Uganda Limited, Kampala	Apr. 2002

Existing Markets

MARKET	SUBCUSTODIAN	AGREEMENT
Australia	Citibank Pty. Limited, Melbourne	June 2004
Ecuador	Banco de la Produccion S.A. (Produbanco)	April 2004
Belgium	BNP Paribas Securities Services, S.A.	August 2003
Russia	ING Bank (Eurasia) ZAO, Moscow	July 2002
Netherlands	KAS Bank N.V., Amsterdam	February 2002
South Africa	Nedcor Bank Limited, Braamfontein	February 2002

These subcustodians were selected as part of our comprehensive structure for entering new markets and evaluating current subcustodial relationships and our commitment to selecting the “best of class” within these markets.

Termination of Subcustodians

State Street re-appraises all of our subcustody arrangements on a regular basis to ensure that we continue to maintain the highest level of quality, efficiency and risk containment in our global custody network. During the past three years, we conducted several request for proposal (RFP) exercises and determined that changing providers in the following markets would assist us in providing higher service levels to our customers:

Australia: State Street conducted an RFP exercise in the market to evaluate the service capabilities of potential local providers. As a result of the RFP review, State Street has decided to retain Westpac Banking Corporation as an existing subcustodian and to establish an additional subcustodian relationship with Citibank Pty. Limited, Australia.

Belgium: Since 1993, State Street had maintained a subcustody relationship with Fortis Bank nv-sa, Brussels to provide services in Belgium. In the past year, State Street conducted a RFP exercise in the market to evaluate the service capabilities of other local service providers. Based upon the results of the RFP exercise, State Street selected BNP Paribas Securities Services, S.A., Brussels (BNP Paribas) as our new subcustodian bank in the market. The conversion from Fortis Bank to BNP Paribas for active accounts occurred in August 2003.

Ecuador: State Street has been notified by our subcustodian bank in Ecuador, Citibank, N.A., Quito, of their intention to discontinue offering subcustody services in the market. Since receiving this notification, we have been actively seeking to establish a relationship with an alternate subcustody provider. Following a due diligence review, we have selected and finalized new arrangements with Banco de la Produccion S.A. (PRODUBANCO).



Netherlands: State Street conducted a RFP exercise in the market to evaluate the service capabilities of potential local providers. As a result of the RFP review, KAS Bank was selected as State Street's subcustodian. The conversion from Fortis Bank (Nederland) N.V. to KAS Bank for active accounts was completed February 25, 2002.

Russia: In July 2002, Credit Suisse First Boston AO (CSFB), State Street's subcustodian bank in Russia, sold its Russian custody business to ING Bank (Eurasia) ZAO, Moscow, which is a wholly owned subsidiary of ING Bank N.V. in the Netherlands and one of the largest custodian banks in Russia. State Street conducted a thorough review of the service capabilities of ING Bank (Eurasia) ZAO, Moscow and decided to appoint them as our new subcustodian bank.

South Africa: State Street conducted a RFP exercise to evaluate the service capabilities of potential local providers. As a result of the RFP review, we selected two providers. Nedbank was selected as our new subcustodian for non-lending customers and Standard Corporate and Merchant Bank was retained for lending customers. The conversion to Nedcor Bank Limited for non-lending active accounts occurred in February 2002.

4. Outside of the U.S., does your organization use any central depository facilities? Describe your organization's settlement and clearing facilities for depository eligible and physical securities.

In general, State Street will maintain eligible securities within a central depository in cases where depository usage is compulsory by law or prevailing custodial practice.

Most depositories are developed to create settlement and safekeeping efficiencies, as well as to mitigate risks associated with the physical movement of certificates. Market officials generally intend that all investors will be users (direct or indirect) of the depository for eligible securities. Consequently, most depositories operating in the markets contained in our Network are compulsory for, either or both, settlement and safekeeping. A number are compulsory per local law, or the rules and regulations of the depository and/or affiliated stock exchange. In many cases, however, depository systems are compulsory by virtue of the fact that maintaining securities outside the system is inconsistent with prevailing custodial practices. Not using the depository system under these circumstances may have significant and adverse effects on the liquidity of the particular position held outside the depository. Higher costs and risks associated with exception processing can also be attributed to operating in a manner different from the prevailing practice in the market.

In markets where a central depository does not exist or for securities that are not eligible for safekeeping at a central depository, securities are held in the vaults of State Street's local subcustodian or in State Street's vaults, as applicable.

Safekeeping facilities

Securities that are not eligible for safekeeping at a central depository are held in the vaults of State Street's local subcustodians or in our vaults.

United States

We maintain a subcustodian arrangement with the Depository Trust Company's (DTC) custody operation in New York. This facility must comply with local market practice and regulations and conform to strict industry standards for the safekeeping of physical assets.

The DTC custody operation vault and the adjacent securities processing units are highly secured against unauthorized entrance and activity. The following strict security measures are maintained at DTC's custody operations physical safekeeping facilities:



- All DTC employees are bonded.
- Special building badge identification is required to enter the building.
- Special DTC identification badge is necessary to access any DTC space within the building.
- Additional card access system is necessary to gain access to a securities processing location within DTC.
- Only vault staff is permitted in the vault; the vault has an additional level of badge access.
- Security guards are stationed at all entrances to areas that process securities activities with additional guards at the vault door.
- All security processing work areas are under camera surveillance.
- All securities are imaged, prior to deposit to the vault; the imaging system can be accessed from a remote location.

All securities are held in DTC's vault by participant, by security. Every security withdrawal from the vault is performed in the presence of at least a minimum of two authorized employees.

United Kingdom

In the UK, physical certificates are held at the Edinburgh office location and stored in a fireproof, double combination-locking safe which is situated within a secure vault area. Access to the vault area is via a double-locking vault door and alarmed cage door.

Access to the vault is dual controlled and only certain members of staff, who do not also have responsibility for input or settlement of instructions, are authorized to withdraw and deposit physical certificates. Initial access to the secure vault door is by swipe card via an alarmed door, the system for which is linked to the local police station. Two sets of keys are required to open the vault door and dual-swipe card access to open the cage door. Once in the vault area, the cage door must be closed within a short period of time to prevent alarm activation. Safe access is via a two key-operated combination locked safe door.

The vault and surrounding area is constantly monitored by closed circuit television.

Canada

Physical securities are held in the operation of our vaulting agent. Following our operating requirements, our vaulting agent is required to notify State Street of all receipts or deliveries of physical securities via SWIFT messaging. Upon receipt or delivery of physical certificates, our system is updated to reflect accurate customer positions.

Subcustodian Vaults

Our subcustodian facilities must conform to State Street's operating requirements, which include strict standards for the safekeeping of physical assets. Our operating standards require that each of our customer accounts (at all subcustodians) are open to physical, on-premises inspection and audit by State Street and, where permitted by law, independent public accountants of our customers.

We may request auditor information on each subcustodian's internal controls. To ensure the assets of our customers are protected, we closely monitor the performance of our subcustodians and local market events on an ongoing basis.



5. When are funds withdrawn for purchases and credited for sales? Describe how your organization handles "failed" transactions and how they are reported to the client. Describe your organization's methods for tracking failed trades.

We will withdraw funds for all purchases on scheduled settlement date in anticipation of timely settlement, and credit proceeds on the value date received. If a purchase fails, the funds will remain in State Street's settlement account in anticipation of settlement the following business day. State Street also offers contractual settlement, when the monies for trade are deposited or withdrawn on the contractual settlement date of the trade.

State Street seeks to prevent fails and follows strict internal procedures and controls, in addition to a pre-matching requirement, to facilitate timely settlements. We continually review these procedures and controls to ensure that barriers to settling transactions in a timely manner do not develop. In addition, we work closely with local market participants to keep abreast of market events that may impact settlements.

Monitoring Failed Trades

If a settlement confirmation message is not received from our direct depository links or our subcustodians on contractual settlement date, the trade is assigned a failing status on our custody platforms. Our settlement specialists immediately initiate a dialogue with the appropriate party (i.e., customer representative, subcustodian, depository or counterparty) to facilitate prompt resolution of the failing transaction. Statuses of failed trades are updated and tracked daily on our custody system until full resolution is achieved.

Reporting Failed Trades

Customers are notified of failed trades according to their preferred communication method, which includes telephone, email, facsimile or our information delivery platform. Our online inquiry and reporting capabilities are available 24/7/365 for the convenience of customers. Failed trade reports contain the following information:

- Detail of failed security and foreign exchange trade activity
- Specific fail reason descriptions for each item
- Age of each fail
- Summary balances agree to Cash Forecast Report

Resolving Failed Trades

State Street takes an aggressive stance in resolving failed trades. Once a trade is verified as failing, details pertaining to the cause of the fail are noted on the custody transaction record. In most markets this is an automatic process. Our settlement specialists immediately initiate a dialogue with the customer representative, subcustodian, depository and/or counterparty to facilitate resolution. State Street's settlement specialists research the fail until resolution. Where multiple settlement cycles exist we try to resolve differences between counterparties and settle in a later cycle.

The availability of funds and securities related to failing trades is driven by market infrastructure, practice and regulation. For detailed information about local fail trade practices, please refer to the enclosed *Guide to Custody in World Markets*.

6. Provide by market the percentage of failed trades for each of the past three years.

Please refer to **Exhibit IX**.



7. How are settlements communicated?

The primary means of communication between State Street and our subcustodians is via the SWIFT network (Society for Worldwide Interbank Financial Telecommunication). State Street communicates via SWIFT for 99.8% of trades. We use SWIFT for communication, including trade instruction and settlement confirmation, corporate action instruction and settlement confirmations, income and tax advice, and reconciliation reports.

As a tertiary contingency level in the unlikely event that SWIFT becomes disabled, State Street has developed manual contingency procedures to communicate instructions and confirmations to our subcustodian network.

8. Describe your organization's ability to handle foreign exchange transactions.

Foreign exchange services at State Street Global Markets are designed to aid investors at every stage of the currency management process. We provide our customers with integrated pre-trade, trade and post-trade solutions and products delivered by a team of highly skilled and experienced professionals. These services are available around the globe, 24 hours per day, from State Street Global Markets branches in Boston, Toronto, Montreal, London, Sydney, Singapore, Hong Kong, Taipei, and Tokyo. Our commitment to excellence is demonstrated by the results of the *Global Investor* foreign exchange survey, in which State Street Global Markets has ranked in the top five for “Overall FX Services” for the past five years.

Investors are involved in the foreign exchange market with different needs and expectations. Our trading desk personnel, whose priority is obtaining the best possible prices, offer insight into relatively short-term currency movements and market events. This group is also responsible for keeping investors, who are involved in asset selection and strategy, abreast of medium term currency valuation and asset allocation perspectives. Our currency strategy team offers analyses of political events, forecasts and discussions of economic releases and portfolio flows. State Street Global Markets has also created alliances with some of the top academics and researchers in the currency management field to develop premier research products. These products range from the tactical to the strategic, and include Global Portfolio Strategy, Investment Climate, Global Markets Today, Country and Research Reports, FX Flow Indicator, Portfolio Flow Indicator and Portfolio Holdings Index.

State Street Global Market’s unique product line – from strategy formulation, via Currency Advisory Sales, to tactics and execution via Foreign Exchange Sales, to integrated confirmation, settlement and recordkeeping via Middle Office – provides a truly outstanding suite of products and services, giving our customers a genuine competitive advantage. Features include the following:

- State Street Global Markets is a spot, forward and option market maker in over 40 currencies and will quote non-deliverable forwards in another 35 currencies, providing deep liquidity and competitive pricing to investors worldwide.
- Electronic currency trading can be executed via FX Connect[®], a module of Global Link[®]. FX Connect[®] enables customers to exercise maximum flexibility in dealing efficiently across multiple portfolios, currencies and value dates. Spot, outright, swap and non-deliverable forward transactions can be executed on this platform. Global Link[®] is a robust worldwide network providing market research, portfolio analytics, trade order management, execution, confirmation and settlement. Combined with the market experience and insights of an experienced sales and trading group, Global Link[®] becomes a powerful tool for portfolio managers attempting to anticipate and profit from change.



- The professionals of the FX market risk trading team are highly skilled and experienced in managing currency inventories, making it possible for State Street to provide competitive prices.
- Operational requests are accommodated through an experienced and professional Middle Office, ensuring rapid and efficient settlement of any post-trade and settlement issues.
- Straight through processing to settlement and custody recordkeeping systems is provided for FX trades executed with State Street Global Markets.

9. What are your organization's dividend and income collection and crediting policies by country? Include the basis for the currency conversion rates used.

State Street systematically credits dividends for all types of equities, interest from debt instruments and final principal redemptions to our customer accounts on *payable date*.

The following markets are covered under our Pre-Determined Income program (in their primary currencies):

- | | | |
|--------------|---------------|------------------|
| • Australia | • Hong Kong | • Poland |
| • Austria | • Ireland | • Portugal |
| • Belgium | • Italy | • Singapore |
| • Brazil | • Japan | • Spain |
| • Canada | • Malaysia | • Sweden |
| • Denmark | • Mexico | • Switzerland |
| • Euroclear* | • Netherlands | • South Africa |
| • Finland | • New Zealand | • Thailand |
| • France | • Norway | • United Kingdom |
| • Germany | • Peru | |
| • Greece | • Philippines | |

* Pre-determined income will be paid on Euroclear holdings for events paying in USD and in the domestic currency of the countries listed above.

The exceptions will include:

- Securities that are not under custody at State Street
- When a customer's cash accounts in the above market's primary currency are not maintained, for any reason, on the books of State Street
- Securities on loan under a securities lending program other than State Street's lending program (i.e., third party lending)
- Securities known to State Street to be in a condition of default, suspected to present a risk of default, or payment delay
- Securities in which the amount of income and redemption cannot be calculated in advance of payable date, or determined in advance of the actual collection (e.g., variable rate instruments, securities lacking valid asset identifiers, etc.)
- Securities involved in a trade in which the settlement either failed, or is pending, over record date
- Securities in asset categories (without limitation) including: Private Placements, Derivatives, Options, Futures, Asset Backed Securities, Mortgage Backed Securities, Collateralized Mortgage Obligations (CMOs), Other Mortgages, Zero Coupon Bonds, American Depository Receipts (ADRs), Physically Held, and Non-Security Assets



- Securities that pay income in a currency other than the currency of the depository or subcustodian (e.g., Canadian securities held in Canada paying in USD or Irish securities held in the United Kingdom paying in Euro)

Any income and redemption credit to a customer's cash account is conditional until payment is made in full with good funds by the paying agent or the issuing company. Market regulations and practices dictate that such payment is final. State Street may at any time reverse or adjust any conditional income and redemption credit if relevant conditions are not fulfilled.

Pre-determined income may be subject to change as a result of changing market conditions and ongoing global custody analysis.

For those markets not covered by our Pre-Determined Income policy, income and dividend payments will be credited on actual date of receipt. Once dividend entitlements are collected from the appropriate party, the transactions are settled on our systems.

Currency Conversion Rates

The exchange rates used in various portfolios, where State Street is the accounting agent, is a customer decision. Just as customers determine which pricing vendors to use for fixed income and equity instruments, the exchange rates are also an integral part of the price source authorization agreement. This document is a bilateral agreement between the customer and State Street that spells out all possible pricing source components.

10. Describe your organization's tax reclaim policy and procedure. How frequently are reclaims performed? How does your organization keep clients abreast of changes in foreign country tax laws?

State Street takes an aggressive approach to tax reclaim collection. Once a tax reclamation is validated, the claim process begins immediately. For each reclaim, we will file, either directly with the local authorities or through our local subcustodian, for tax reclaim benefits on an ongoing basis on behalf of the beneficiary where permitted under the taxation treaty and according to the customer's fiscal domicile and legal structure.

The filing frequency is determined by local market practice, investor residency and legal structure. Tax reclaim filing frequency may depend on local market practice and residency. Although the majority of active markets allow reclamation filings on a rolling basis (usually monthly), there are countries such as France (includes avoir fiscal filing) and Switzerland that have filing timeframe limitations.

State Street takes advantage of simplified procedures in order to give our customers the most immediate tax benefits. This may result in not presenting tax forms to the local tax authorities, or where supported by local technology, submitting tax reclaim data to the subcustodian in electronic format.

Tax Reclamation System – Tax Filing Process

Our integrated custody platform automatically processes and tracks reclaims on taxes withheld by foreign tax authorities. The system is designed to track tax reclaim receivables in an automated stage workflow environment employing a point-to-point tracking of tax reclaim receivables through the various stages of the filing process until receipt of payment.



Our system enables us to automatically generate tax forms for processing with the local authorities. Using a rules-based logic, the system takes into consideration the investment type, customer residency and legal structure in order to effectively select the foreign tax reclaim form and populates it with the required data information, including the customer's legal name and address.

State Street works with our subcustodians and local tax authorities to monitor the status of tax reclaims through the various stages of the process with appropriate follow-up as required.

Communications

Information communicated to customers includes changes to specific international tax treaty rates, regulations and documentation required to receive income and/or tax treaty benefits. Changes in local tax laws, as well as other relevant market changes, are communicated via State Street's:

Guide to Custody and World Markets

State Street publishes the *Guide to Custody in World Markets*, which describes relevant practices and procedures in the markets where State Street offers subcustody services. The tax services section is located under 'Investor Considerations' and includes a general discussion of tax considerations.

Global Market Bulletin

Critical and late-breaking information pertaining to changes in local tax laws, as well as other relevant market changes, are communicated daily via State Street's Global Market Bulletin, on an event basis. The Bulletin is distributed to internal and external recipients via electronic mail and is available on the Global Market Information section of State Street's Web site. Bulletins are posted to the Web site in real-time and can be viewed either chronologically or by market. Our Bulletins cover events such as market disruptions, changes in currency and other restrictions, changes in market regulations, changes in custody infrastructure and other topics of concern to our customers. In the instance of a rapidly developing situation, we transmit information by means of a daily flash bulletin.

Customers may access the Global Market Information Web site through the corporate homepage by using a self-selected user ID and password or via our information delivery platform.

11. How does your organization's multi-currency accounting system handle options?

Global Horizon fully accounts for written and purchased call or put options. The system supports exchange-traded equity, interest rate, treasury, swaptions and index options as well as other OTC options.

Purchased call and put options are reflected as assets and written call and put options are treated as liabilities. These positions are valued daily to determine unrealized appreciation or depreciation. A gain or loss is realized when the positions are closed, exercised or expired.

12. Does your organization's insurance coverage apply to securities held in your sub-custody network? (See section 3.307.)

State Street maintains insurance coverage that applies to our subsidiaries and branches. Further, our subcustodians are typically required, in accordance with the Subcustodian Agreement, to maintain insurance coverage at a level expected of a professional subcustodian.



13. Is your organization able to provide a segregated account to BOI in all markets your organization serves?

We currently operate omnibus securities accounts in 24 markets. State Street will operate segregated accounts where individual market requirements dictate or if customers have specific needs for such a structure.

Customer securities are always separately identified on the books and records of State Street, and State Street's customer holdings are always segregated from our subcustodians' own assets, irrespective of the account structure at the subcustodian. Because State Street's customer securities remain segregated from the subcustodian's own assets and those it holds for other depositors, the rights of State Street customers with respect to those securities are preserved.

H. Global Custody - Reporting

1. Does your organization have one global accounting system? If no, please explain your organization's process and report consolidations of domestic and international.

Yes.

2. Are accounting and reporting capabilities available both in local currency and in U.S. dollars? Please describe. What is your organization's source for the foreign exchange rate(s) used to convert to U.S. dollars?

As described in our response to question #2 in section A, our multicurrency accounting system provides reports in base and local currency. In addition, the source for foreign exchange rates is Reuters.



3. Provide a description of your organization's portfolio accounting and reporting system, including reconciliation procedures, accounting basis and standard reports generated. Does your organization's standard reports include pending trades and accrued income?

A description of our accounting and reporting system is provided in our response to question #2 in section A.

We ensure accuracy of information through an error detection process that is built into Global Horizon, our custody, cash and accounting system. Transactions entered into Global Horizon pass a series of technological edits to ensure accuracy and settlement. Each portfolio is balanced and reconciled on a daily basis to ensure that all trades flowed through the system. A working trial balance is also produced at month-end for each portfolio.

To further ensure reporting accuracy and timeliness, we have implemented the Client Service Workstation—a tool that enables our staff to execute audits of transaction-related information that is sourced from Global Horizon on a real-time basis. The Client Service Workstation automates the data verification, reasonability and reconciliation process daily on a transaction-by-transaction basis, allowing staff to focus on exception items and data analysis. Benefits translate into accurate accounting information on a daily basis and a faster period close. This quality control procedure also verifies input and reconciliation of output. This audit is an integrated part of our general ledger accounting system.

State Street offices worldwide use our Client Service Workstation to facilitate consistent service delivery. In addition to these automated checks, our customer service team also manually reviews reports prior to mailing to customers.

Yes, our standard reports include pending trades and accrued income.



APPENDIX G

INFORMATION REQUIRED FROM PERFORMANCE MEASUREMENT SERVICES BIDDER (S)

Performance Measurement

1. Describe the performance evaluation services your organization presently has available for both U.S. and non-U.S. holdings.

State Street Analytics (SSA) offers three major levels of service: Performance Measurement, Comparison and Analysis. Each is a separate and distinct service, available individually, or bundled with other levels of service to provide a comprehensive reporting package. Performance Measurement is available daily or monthly, Comparison is available monthly and Analysis is typically available quarterly. However, SSA has the ability to make several attribution reports available on a monthly basis at the request of customers. All products with the exception of Trade Execution are available online. Trade Execution is available in hard-copy format only.

The following is a brief description of our service offering:

State Street's Performance Measurement system is directly linked to State Street's Global Horizon[®] accounting system to ensure accurate transmission of data. Monthly rates of return on both U.S. and non-U.S. portfolios and composites are calculated using the internal rate of return method (IRR), based on trade date accounting, full interest and dividend accrual, and accommodation of daily cash flows. For periods longer than one month, the dollar-weighted monthly returns are linked to provide time-weighted rates of return.

Recognizing the need for a statistically sound database with in-depth capabilities, State Street developed our own proprietary universe: **State Street Universe[®]**. This universe contains performance and asset allocation data on over 900 plans representing more than 15,000 portfolios with assets in excess of US\$1.0 trillion.

State Street Universe[®] offers customers the following benefits:

- Monthly availability of universe rankings
- Full access to all universes
- Custom universe creation capability
- Efficient reporting and data delivery available online
- Presentation quality reporting
- Consistent universe construction methodology

Both individual portfolios and total plans are ranked against appropriate standard universes using consistent calculation methodology. Available universes include master trusts, asset pools, asset classes, asset allocation, U.S. equity and fixed income portfolios, global portfolios, as well as regional EAFE, Europe, and emerging markets. Equity styles include large, mid and small cap on a growth, value or neutral basis. Fixed income styles include core, core plus, high yield, intermediate, long term, short term, and interest rate anticipator. Hedge fund styles include market neutral, event-driven, distressed/high yield securities, regulation D, long-short and fixed income, MBS and convertible arbitrage. In addition, our customers have the ability to create their own custom universes based on such criteria as plan size, asset allocation and investment mandate. This universe provides comparative data on a monthly basis via online or hard copy reports.



State Street Universe[®] reports are divided into three sections:

Total Fund Performance. Total plan cumulative performance and consecutive period performance is ranked against a variety of peer groups. Asset class level returns are also ranked against asset class level returns of other plans and the total plan's asset allocation percentages are ranked against a variety of peer groups.

Individual Manager Performance. This section ranks managers' performance against a broad base of similar managers.

Equity Style. We created this section to provide a more detailed comparison of domestic equity portfolios. In this section, we use a proprietary model that analyzes the individual holdings of every domestic equity portfolio in our database to establish style universes such as large cap growth, mid cap growth, small cap value, large cap neutral, etc. Security level is based upon the largest 3,000 securities. The top 400 are ranked as large cap; 401 to 1,250 are ranked as mid cap; 1,251 to 3,000 are ranked as small cap. Each group is then sorted on the Price/Book ratio. Based upon this, each group is subdivided into one-half market cap growth and one-half market cap value. Each stock is then assigned to one of the following: large cap growth or value, mid cap growth or value, small cap growth or value. The portfolio size is then addressed. The portfolio is weighted by market value of positions held according to the above categories (large, mid, small) and assigned a size based upon the largest percentage. The portfolio style then is determined so that if large cap growth and small cap growth are greater than 60% of the portfolio, the style is considered as growth. If large cap value and small cap value are greater than 60% of the portfolio, the style is considered as value. We then rank each portfolio in the customer's plan against the universe appropriate for that particular portfolio.

In addition to the standard reports, we also have an online tool for creating custom universes and reports. Using this tool, customers can construct universes with very specific parameters, such as all public funds master trusts with more than US\$1 billion under management and an allocation to equity greater than 50%. Additionally, the user has the ability to create custom color graphs and to print, copy and paste those graphs into many popular software applications such as Microsoft Word, PowerPoint and Excel.

In addition, State Street is a participant in, and contributor to, the Trust Universe Comparison Service (TUCS) and can offer their quarterly reports. The TUCS reports, which are only available in hard copy, include sections on relative performance during market cycles.

State Street Analytics offers a Domestic Equity Attribution report, which is designed to provide the user with an in-depth analysis of a portfolio and to measure the impact of portfolio structure on performance relative to a selected benchmark. It includes detailed information on asset mix, portfolio characteristics, risk, impact of turnover and security level high/low sorts by performance, market value, market capitalization, dividend yield, beta and P/E ratio, as well as variance. Incremental return differences between the portfolio and the benchmarks are analyzed in terms of weighting and selection within a single exposure factor. Factors for equity variance analysis include sector, industry, market cap, P/E ratio, beta, and dividend yield. The equity characteristics database contains over 20 characteristics, including dividend yield, P/E ratio, EPS growth, payout ratio, ROE, debt/equity and market capitalization. We also offer the Wilshire multi-factor model for domestic and international equities.

In support of the domestic performance attribution reporting service, we maintain a number of indices down to the security level, including the S&P 500, Wilshire 5000, Wilshire Style, and Russell Style for equity. We also have the ability to incorporate the holdings of externally held pooled domestic vehicles into this analysis.



The Global Attribution report presents base and local returns relative to a benchmark index and attributes the difference to four factors: country weighting, security selection, currency effect and hedging activity. We also have the ability to analyze performance within each country, by sectors, industries and securities. SSA also offers a global equity and fixed income characteristics report which provides characteristic information on the portfolio relative to the benchmark broken out by country. This information is available on both an absolute basis, as well as on a normalized basis (z-score) across countries.

In support of the Global Attribution report, we maintain a number of benchmark indices to the country level, including the MSCI World, the MSCI Emerging Markets, the FT Actuaries World and the J.P. Morgan and the Salomon World Government Bond Indices.

State Street Analytics' Domestic Fixed Income Attribution report is designed to provide the user with an in-depth analysis of a portfolio and to measure the impact of portfolio structure on performance relative to a selected benchmark. Fixed income characteristics include maturity, duration, coupon and quality for fixed income. Factors for fixed income include security type, maturity, duration, coupon and quality. Benchmark indices maintained in support of fixed income include the Lehman Government/Corporate, the Lehman Government/Corporate Intermediate and the Lehman Aggregate for fixed income, among others. We also offer the CMS Multi-factor model for domestic fixed income.

SSA and the RiskMetrics Group developed a Value-at-Risk (VaR) service for fund sponsors, adapting J.P. Morgan's RiskMetrics methodology. This was originally developed for banks and traders, for use by plan sponsors with longer-term investment horizons and different financial objectives. VaR is the maximum value a fund can lose over a given time horizon at a certain confidence level. The Value-at-Risk service provides the actual VaR, policy VaR, marginal VaR, and relative VaR on both an undiversified and a diversified basis.

Risk/Return Report. This report provides customers with a means of assessing portfolio returns in light of exposure to risk (viewed both absolutely and relative to a benchmark). It includes the annualized standard deviation of returns, a measure of the historical volatility of a portfolio's return; and portfolio diversification (R^2) relative to a selected benchmark and historical beta, indicating the proportionality of a portfolio's return to the market's return. Three measures of risk-adjusted returns are also provided: Jensen's Alpha (risk-adjusted return), the Sharpe Ratio (return per unit of total risk), and the Treynor Ratio (return per unit of systematic risk).

Trade Execution. SSA offers a Trade Execution report through Elkins/McSherry LLC that provides customers with the information necessary to analyze their global equity trading costs. Commissions, fees and market impact are analyzed by country and compared to appropriate universes. Each quarter 120 pension funds, investment managers, banks and brokers provide Elkins/McSherry with data on their global equity trades. These costs make up the universe of average commissions, fees and market impact. The universe contains three million trades representing US\$1 trillion in principal. In addition, the universe maintains information on approximately 800 global managers and 1,500 global brokers and contains global trading benchmark information for 42 countries, from 208 exchanges.

Summary reports are available at the plan level, manager level and broker level to highlight the most significant trades (highest and lowest cost). The reports provide clear distinctions between NYSE and OTC transactions and between buy/sell transactions in such markets as Japan and the U.K. The market impact, a measure of broker value added, is calculated using the average of the high/low/open/close for all markets on both a daily basis and relative to seven days later.



Board Level Reporting. This Board report provides a customized summary of the market environment and detailed information outlining the performance of both the total fund and the individual managers. Observations are set forth at various levels, including total fund performance against benchmarks and universes, asset allocation, investment manager rankings against customer chosen universes, benchmarks, style universes, and regional mandates. Highlights of domestic and global equity and fixed income attribution results are included in summary format, with specific commentary addressing the net results of an investment manager's weighting and selection decisions. In addition to providing hard copy Board Reports, State Street Analytics' consultants often meet with the members of a customer's investment committee or board to present and discuss the results of our analyses.

PrivateEdge®. State Street has extensive experience in servicing customers with private market assets and has created a specialized service, PrivateEdge®, to optimally serve this customer base. PrivateEdge® combines proprietary software with industry professionals to provide private market investors with services that range from back-office support to executive reporting, and portfolio and investment analysis. The PrivateEdge® application is highly robust and flexible, and has been designed to accommodate any type of private market investments, (e.g., real estate, natural resources, venture capital, corporate finance) and to provide for considerable user-definition and customization. Our service includes determining data and reporting requirements, portfolio and investment structures, conversion of historical data (to enable stratification and associated long-term rates), electronically capturing all cash transactions, coordinating with investment managers to obtain financial and investment characteristic information, calculating performance, reconciling returns to those reported by managers, designing and calculating reports, responding to ad hoc queries, and providing industry expertise on a consulting basis. PrivateEdge® customers can elect to have online access to the database or a direct delivery report.

2. Describe how performance is computed.
 - a. Can your organization compare rates of return for the State's accounts versus a substantial universe of similar funds? What universes does your organization offer? Describe your organization's participation with TUCS.

Yes. Recognizing the need for a statistically sound database with in-depth capabilities, State Street developed our own proprietary universe: **State Street Universe®**. This universe contains performance and asset allocation data on over 900 plans representing more than 15,000 portfolios with assets in excess of US\$1.0 trillion.

State Street Universe® offers customers the following benefits:

- Monthly availability of universe rankings
- Full access to all universes
- Custom universe creation capability
- Efficient reporting and data delivery available online
- Presentation quality reporting
- Consistent universe construction methodology



Both individual portfolios and total plans are ranked against appropriate standard universes using consistent calculation methodology. Available universes include master trusts, asset pools, asset classes, asset allocation, U.S. equity and fixed income portfolios, global portfolios, as well as regional EAFE, Europe, and emerging markets. Equity styles include large, mid and small cap on a growth, value or neutral basis. Fixed income styles include core, core plus, high yield, intermediate, long term, short term, and interest rate anticipator. Hedge fund styles include market neutral, event-driven, distressed/high yield securities, regulation D, long-short and fixed income, MBS and convertible arbitrage. In addition, our customers have the ability to create their own custom universes based on such criteria as plan size, asset allocation and investment mandate. This universe provides comparative data on a monthly basis via online or hard copy reports.

State Street Universe[®] reports are divided into three sections:

Total Fund Performance. Total plan cumulative performance and consecutive period performance is ranked against a variety of peer groups. Asset class level returns are also ranked against asset class level returns of other plans and the total plan's asset allocation percentages are ranked against a variety of peer groups.

Individual Manager Performance. This section ranks managers' performance against a broad base of similar managers.

Equity Style. We created this section to provide a more detailed comparison of domestic equity portfolios. In this section, we use a proprietary model that analyzes the individual holdings of every domestic equity portfolio in our database to establish style universes such as large cap growth, mid cap growth, small cap value, large cap neutral, etc. Security level is based upon the largest 3,000 securities. The top 400 are ranked as large cap; 401 to 1,250 are ranked as mid cap; 1,251 to 3,000 are ranked as small cap. Each group is then sorted on the Price/Book ratio. Based upon this, each group is subdivided into one-half market cap growth and one-half market cap value. Each stock is then assigned to one of the following: large cap growth or value, mid cap growth or value, small cap growth or value. The portfolio size is then addressed. The portfolio is weighted by market value of positions held according to the above categories (large, mid, small) and assigned a size based upon the largest percentage. The portfolio style then is determined so that if large cap growth and small cap growth are greater than 60% of the portfolio, the style is considered as growth. If large cap value and small cap value are greater than 60% of the portfolio, the style is considered as value. We then rank each portfolio in the customer's plan against the universe appropriate for that particular portfolio.

In addition to the standard reports, we also have an online tool for creating custom universes and reports. Using this tool, customers can construct universes with very specific parameters, such as all public funds master trusts with more than US\$1 billion under management and an allocation to equity greater than 50%. Additionally, the user has the ability to create custom color graphs and to print, copy and paste those graphs into many popular software applications such as Microsoft Word, PowerPoint and Excel.

In addition, State Street is a participant in, and contributor to, the Trust Universe Comparison Service (TUCS) and can offer their quarterly reports. The TUCS reports, which are only available in hard copy, include sections on relative performance during market cycles.



- b. List the indices available and the dates of their availability.

Available Benchmarks and Indices

Index	Approximate Business Date Available
Standard and Poor's	2
Wilshire Indices	4
Russell Indices	3
MSCI Developed Indices	3
MSCI Emerging Indices	3
JP Morgan Indices	4
Salomon Indices	4
Lehman Indices	3
Merrill Lynch	3
NCREIF Indices	7 weeks following quarter end
Venture Economics Indices	7 weeks following quarter end
IMoneyNet	5
Lipper Indices	Equity – 2, Fixed - 4

Other index families are also available upon request at no extra charge as long as they are publicly available.

- c. Does your organization use dollar-weighted or time-weighted (or both) returns?

Performance Measurement monthly rates of return on both domestic and international portfolios and composites are calculated using the internal rate of return method (IRR). For periods longer than one month, the dollar-weighted monthly returns are linked to provide time-weighted rates of return. We can provide monthly, quarterly and annual performance calculated both gross and net of fees for any fund or composite over any time period for which we have history.

Daily performance is also available. For this service, the rates of return are calculated from fully valued daily accounting down to the security level. Trade date accounting is utilized for fund values, providing a true time-weighted return. Returns on global portfolios are calculated and reported in both base and local terms.

The performance calculations are in compliance with the mandatory requirements of the Association of Investment Management Research's (AIMR) Performance Presentation Standards.

- d. Are the market values used in performance calculations adjusted for accruals?

Yes.

- e. Does your organization's system comply with all CFA Institute requirements?

The performance calculations are in compliance with the mandatory requirements of the CFA Institute's Performance Presentation Standards.



3. How frequently are performance measurement analytics completed and are they fully audited reports?

Fully audited hard copy and online performance measurement reports are available monthly, three business days following the receipt of accounting reports. Currently, performance is issued on the thirteenth business day to the BOI, which is three days after plan level information is received from the BOI.

4. Are your organization's performance measurement reports available on-line? Can your organization provide customized reports? Are your organization's clients able to create ad-hoc reports on-line?

Yes. State Street Analytics' performance measurement, analytic and universe services utilize our information delivery platform to facilitate the delivery of information to our customers through the Performance & Analytics subscription. Our information delivery platform is a suite of applications designed as a true decision support tool, emphasizing ease-of-use, the effective presentation of information, flexibility, performance optimization and network scalability. Through this system, customers have the option of viewing information as a report, a graph or a spreadsheet.

Data is retrievable in an easy-to-use query tool to facilitate custom reporting and ad hoc requests, including a dynamic performance compositing function. Available data includes rates of return, portfolio or security characteristics, market values (portfolio, asset class, security) and portfolio holdings. This online query function also allows customers to use an integrated graphics software package to further customize reports to meet their specific reporting needs. Additionally, all data and information residing in the application can be transferred or downloaded electronically to any common software product or standard file format. Detailed security reference information covering an extensive number of securities is also available as a part of the Performance & Analytics subscription within the information delivery platform.

Customers have the option of customizing performance measurement reports to incorporate returns for multiple time periods, as well as to include a variety of desired composites and benchmarks. In addition, our information delivery platform allows customers to use integrated database query applications, advanced graphics software and export programs to further customize reports. We work closely with customers to determine the appropriate set of reports that will be the most helpful and relevant for their information needs.



5. Does your organization's performance evaluation service analyze any fundamental information, i.e., Indata, BARRA, Rosenberg, etc.

State Street Analytics offers a Domestic Equity Attribution report, which is designed to provide the user with an in-depth analysis of a portfolio and to measure the impact of portfolio structure on performance relative to a selected benchmark. It includes detailed information on asset mix, portfolio characteristics, risk, impact of turnover and security level high/low sorts by performance, market value, market capitalization, dividend yield, beta and P/E ratio, as well as variance. Incremental return differences between the portfolio and the benchmarks are analyzed in terms of weighting and selection within a single exposure factor. Factors for equity variance analysis include sector, industry, market cap, P/E ratio, beta, and dividend yield. The equity characteristics database contains over 20 characteristics, including dividend yield, P/E ratio, EPS growth, payout ratio, ROE, debt/equity and market capitalization. We also offer the Wilshire multi-factor model for domestic and international equities.

In support of the domestic performance attribution reporting service, we maintain a number of indices down to the security level, including the S&P 500, Wilshire 5000, Wilshire Style, and Russell Style for equity. We also have the ability to incorporate the holdings of externally held pooled domestic vehicles into this analysis.

The Global Attribution report presents base and local returns relative to a benchmark index and attributes the difference to four factors: country weighting, security selection, currency effect and hedging activity. We also have the ability to analyze performance within each country, by sectors, industries and securities. SSA also offers a global equity and fixed income characteristics report which provides characteristic information on the portfolio relative to the benchmark broken out by country. This information is available on both an absolute basis, as well as on a normalized basis (z-score) across countries.

In support of the Global Attribution report, we maintain a number of benchmark indices to the country level, including the MSCI World, the MSCI Emerging Markets, the FT Actuaries World and the J.P. Morgan and the Salomon World Government Bond Indices.

State Street Analytics' Domestic Fixed Income Attribution report is designed to provide the user with an in-depth analysis of a portfolio and to measure the impact of portfolio structure on performance relative to a selected benchmark. Fixed income characteristics include maturity, duration, coupon and quality for fixed income. Factors for fixed income include security type, maturity, duration, coupon and quality. Benchmark indices maintained in support of fixed income include the Lehman Government/Corporate, the Lehman Government/Corporate Intermediate and the Lehman Aggregate for fixed income, among others. We also offer the CMS Multi-factor model for domestic fixed income.

6. Can your organization back load investment performance data? How many years?

State Street Analytics has the ability to backload historical performance data either electronically or from hard copy. Generally, the prior custodian or performance measurement provider will deliver historical rates and market values to us electronically. Once we load the monthly information on our system, we will verify the data against prior performance reports.



7. Describe the various analyses of performance and change in performance that your organization provides.

State Street Analytics the following reports:

- *Analysis* – domestic and global fixed income and equity attribution
- *Comparison* – State Street Universe[®]
- *Trade Execution* – global and domestic trading cost analysis
- *Board Reporting* – integration of economic/market/performance highlights in a graphical format with appropriate commentary
- *Value-at-Risk* – risk measurement tool
- *Manager Search* – investment manager evaluations
- *Asset Allocation* – studies to evaluate investment policies
- *Risk/Return* – portfolio returns assessment

8. Provide a proposed performance report.

Please refer to the enclosed Sample Performance report.

9. Describe the types of performance attribution reports you provide for domestic equities, domestic fixed and non-domestic.

State Street Analytics has extensive reporting capabilities. Reports are generally available monthly or quarterly at various levels of detail and can be delivered in hard copy or online. The following is a list of the type of reports available:

- Performance Measurement – available daily, monthly, net or gross, total asset class results
- Domestic Equity Attribution Variance Analysis
- Fixed Income Attribution Variance Analysis
- Global Attribution Variance Analysis
- Domestic Equity Characteristics
- Domestic Fixed Income Characteristics
- Global Characteristics
- Risk Reports
- Turnover
- Security High/Low Reports
- Trade Execution Reports
- State Street Universe – available monthly/quarterly for plans, pools, portfolios
- TUCS – available quarterly for plans, pools, portfolios
- Value-at-Risk – summary/detail
- Customized Executive Summary – includes market environment, plan overview, manager summaries



10. Discuss your contingency and disaster recovery plans. Are there backup capabilities in case of malfunctions or disaster? Does your organization have a backup site? A hot site? Describe in detail. How frequent are the disaster procedures tested?

As previously stated, State Street's mission is to provide our customers with appropriate products and services to facilitate their worldwide investment strategies. Our strategy is to manage an approved corporate-wide Corporate Continuity Program to maintain the policy and standards while providing a comprehensive implementation process. A centralized Corporate Continuity Group is responsible for administering the program and ensuring all business units and subsidiaries comply.

Our method is to align the continuity planning staff with business area continuity planners. Working together, they ensure structure and consistency are maintained through the use of formal processes. The objective is to create, document, test and maintain business process continuity plans to recover critical systems and functions. At least annually, business units and technology departments test their plans to ensure that they are workable and in compliance and that all staff are aware of their roles in a business interruption. A corporate communication and management process exists to ensure business functions resume quickly, thereby reducing financial risk. On an annual basis, the Examining and Audit Committee of the Board of Directors reviews program status, corporate progress and planned improvements.

State Street's Corporate Continuity Program encompasses both technology and business continuity planning worldwide. The program's goal is to recover data processing systems, data communications facilities, information, data and business functions in a secure manner. Restoration must be accomplished in a time frame consistent with legal, regulatory and business requirements while maintaining information integrity. A centralized corporate continuity group is responsible for administering the program and ensuring all business units and subsidiaries comply.

Readiness Architecture

A key component of our comprehensive continuity program focuses on the incident throughout its life cycle, from commencement through resolution and post-analysis – defining triggers, escalation procedures, roles and responsibilities and communication requirements. The program is built on four principles:

- **Program Standards** – ensure viable, executable and consistent plans across the corporation
- **Application Prioritization** – group by degree of business criticality to prioritize recovery efforts and resources
- **Recovery Scenarios** – pre-defined incident categories and responses
- **Continuity Exercises** – continually test recovery scenarios for systems, site and human factor incidents

Continuity Strategies

We have committed significant resources to ensure continuous function in the event that one of our businesses is impacted by an incident; we can quickly institute one or a combination of the following three options for ensuring continuity.

Facilities/Staffing

- **Split Operations** - Work is reallocated across multiple locations performing the same functions as the affected site
- **Workload Swap** - A business performing similar functions will take on the work of the affected site temporarily until the work is successfully relocated to an alternate site



- **Staff Relocation** - The staff of the affected business will relocate in accordance with an established off-campus relocation solution, which is required of each business

In the case of a disruption in our securities key process, our market-to-market and customer processing functions are transferred to primary backup locations and work continues via split operations. Both scenarios ensure that there is no interruption in service for our customers.

Technology

Our data centers around the world are equipped with both Uninterrupted Power Supply (UPS) and generator power, and internal recovery systems that are sized at 95% - 100% of our production systems. Open system applications are recovered across our data centers using a range of recovery strategies from remote hot standby to a traditional recovery from tape.

- **Remote Hot Standby** - This is a typical strategy for Priority I applications. Production and recovery systems are synchronized in real time to the last data committed to our disk subsystem.
- **Remote Warm Standby** - This is a typical strategy for Priority II applications. Production and recovery systems are periodically synchronized based on the business's defined recovery point objectives.
- **Restore from Tape** - This is a typical strategy for Priority III applications. Data is backed up to electronic media via software and sent to an offsite storage facility for safekeeping. It is available to be sent to the recovery location for restoration during a systems incident.

Market/Counterparty

News of a risk in a market or with a major counterparty can first surface on the trading floor. Traders will inform their managers of any issues as they arise. Our Enterprise Risk Management group is notified by business unit management to begin the process of accessing State Street's exposure – as well as that of our customers – to the market or counterparty involved.

Incident Management

Within the corporate program, a need arose to address events that affect the corporation as a whole. Many incidents are typically business unit/process specific. However, there are times when an incident may require a collective response/coordinated effort across the corporation. The Corporate Incident Management Program (CIMP) was developed to address such incidents. The CIMP is a cross organization program designed to create a framework for managing market, counterparty, system, infrastructure and personnel related events. In the event of a business interruption, a significant number of people are responsible for ensuring senior management has the necessary information available to make appropriate and timely decisions.

The Incident Management Team (IMT) directs, coordinates, and supports incident management activities across the corporation. Associated IMT roles and responsibilities are defined for senior management and support teams to provide direction and consistency in managing incidents affecting business critical functions. The roles include an incident owner, incident manager and a specialized communications officer position. During incident management periods, IMT leverages all resources within our Corporate Continuity & Customer Services (CC&CS) group to assist with logistical and tactical functions. To expedite the impact assessment process, key information for critical business functions and processes has been documented into a global Business Critical Timeline. An incident Communications Playbook was developed to guide the communications officer and communications team in a standardized step-by-step process to ensure clear, concise and consistent internal and external communication during incident periods.



To facilitate the operation of the Incident Management Team a command center structure is in place including a Corporate Emergency Operations Center (EOC) for the IMT and Business Command Centers (BCC) for each major business in the corporation. Communication between the CEOC and BCCs is accomplished by a permanent and on-going conference call facility managed by the communications officer and the head of CC&CS.

Incident monitoring templates are in place to capture measurable data during incident management periods that can be used to analyze the recovery process against established baselines. In addition, a post incident analysis process is in place to ensure feedback from participants and affected business units is captured after each incident. These methodologies ensure the IMT process is kept fresh and up to date by providing the basis for on going improvements and modifications.

Testing to date has covered a complete range of incident categories:

Facilities - Through our well-established business continuity plans, State Street has long been prepared to ensure continuity of operations during incidents affecting property that we occupy, such as a fire or a weather-related inaccessibility.

Systems - We have activated incident management procedures during major network virus alerts – such as the 2004 Agobot virus – using a company-wide notification process that protects our systems.

Facilities and Systems - In the event of the loss of one of our technology centers, information processing and all related functions are routed according to pre-defined business requirements to other technology centers, strategically located around the world.

Market - As a financial services leader supporting customers all over the world, State Street has developed a breadth of industry intelligence that helps us stay informed of market and current exposure issues that could impact business.

Counter party - With an investment network spanning more than 100 global markets, State Street has extensive experience working with both global and local market counterparties. Our strict criteria for counterparty selection and ongoing evaluation ensure that State Street trades with only the most reputable and trustworthy local and global firms.

Human Factor - Because personnel-related incidents can vary greatly – from a hostage situation or other workplace violence to a plane crash, bomb scare or terrorist threat - we have instituted enhanced security procedures, in addition to incorporating these types of scenarios into our incident management escalation procedures.

Program Oversight

Two key groups within State Street – the Major Risk Committee and the Advisory Committee of Business and Functional managers – provide oversight to the corporate continuity program. Enhancements and major changes to the continuity strategy are approved by the Examining & Audit Committee of the Board of Directors. To ensure that the strategy is executed as approved, corporate and global regulatory auditors monitor the entire program.

Our program is structured around the active participation of our leadership team – including our chairman and CEO, vice chairman, Chief Information Officer (CIO), enterprise risk management executives and support teams across all businesses and geographies. When you choose to partner with State Street, you can be confident in our ongoing commitment to the success of your business – in any environment.

**Results of Testing**

State Street conducts over 100 technology related recovery exercises annually. In addition, there are over 400 business continuity recovery exercises conducted annually. The issues that arise during these exercises are documented and tracked through resolution. The corporate program monitors this process and tracks all issues through to final resolution. A major data center recovery exercise was successfully completed in May 2005. The scope on the exercise included recovering production mainframe infrastructure, mainframe applications and production mid-range environments to their alternate recovery site. State Street business units worldwide validated their respective applications. Data center and midrange environments are tested on an annual basis.



APPENDIX H PROPOSAL CLARIFICATIONS

A. Custody Services

1. Certain custody charges were waived in Appendix E if State Street was the lending agent (response to Appendix I, page 138 of proposal). Please provide the itemized charges for the waived costs, and clarify if the waived charges are included in the \$1,400,000.00 annual fee without Securities lending pricing proposal.

State Street's Response:

Any items identified as "no charge" on Appendix E apply to both fee scenarios, either with securities lending or without. These waived charges are negotiable and vary by relationship. In some cases these fees are always waived even though other providers may charge for them. We list them as "no charge" to help you assess the value of our proposal versus other providers who may charge for them. In other cases, we have decided to waive our standard charges for certain services to enhance the overall economic value of our proposal. Please consider the following:

- C5. Portfolio Trading. These fees are typically \$15 per trade
- E2. Compliance reporting. We estimate the value of the service at \$75,000 annually.
- E4. Frame relay. We estimate the value of this service at \$50,000 annually.
- E5. Pricing and transaction file. We estimate the value at \$10,000 annually.

Exhibit III lists both operating procedures and specific fees associated with supporting a 3rd party lending program. The fees listed in that exhibit will only apply under the scenario without securities lending.

2. Per Article 1, page 4 of State Street's proposal, files would be available on-line by 5:30 a.m. ET the next day, although the response to Appendix I, item 6 (page 144 of proposal), new data is available by 7:00 a.m. ET the following day. Please clarify when files/data would be available the next day.

State Street's Response:

These are two separate questions that refer to different data transmissions. Article I on page 4 refers to daily electronic CPU to CPU feeds between State Street and the BOI's internal accounting system. Those feeds have always been required to be sent at 5:30am each day and will continue to be. The answer in Appendix I on page 144 references use of our web portal, mystatestreet.com. Data is made available in that system 24/7/365 no later than 7am each day. This second answer is not about a data feed that we send but rather it is about BOI employees being able to log onto our web platform and access prior day data.

3. Per Article 1, page 5 of State Street's proposal, annual reports would be available within 30 calendar days of the State's fiscal year-end; however, in response to Appendix I, item 11 (page 108 of proposal), annual reports are provided within 45 days. Please clarify when annual reports are available.

State Street's Response:

Annual reports will be available to the State of Michigan within 30 calendar days of fiscal year end.



4. If a 3rd party security lender is selected, what are State Street's trade notification standards for contractual settlement?

State Street's Response:

Securities that are on loan via a 3rd party lending program will be excluded from our standard contractual settlement provision for both sale proceeds and income collection.

5. If a 3rd party security lender is selected, what information would State Street need from the 3rd party security lender for contractual settlement?

State Street's Response:

Although State Street recognizes that the State of Michigan may be interested in entering into a third-party securities lending agreement, our corporate policy does not allow for any customer to receive contractual settlement if they participate in the aforementioned lending agreement.

B. Performance Measurement Services

1. Investment Compliance Reporting is addressed in Appendix E, page 73 of State Street's proposal. Investment Compliance Reporting is noted as being included at "No charge." What services are included within Investment Compliance Reporting? Will State Street work with the State to develop a compliance monitoring system that will ensure all pension fund investments are in compliance with all statutory investment limitations and internal investment policy statements?

State Street's Response:

State Street uses a flexible compliance monitoring product that enables customers to monitor their portfolio holdings and investment activities against plan and management policies on a post-trade, pre-settlement date basis (excluding same-day settlement trades).

From the simplest requirement, to the most complex quantitative guidelines, restrictions and limitations can be applied to a single portfolio or multiple portfolios. Portfolios can have multiple rules defined and applied for monitoring purposes.

By utilizing information available through State Street's proprietary custody and accounting system, Global Horizon® and other vendor information, the compliance application can perform tests at any desired level: security, portfolio, trust or composite and for a wide range of criteria including asset mix, asset type, benchmarks, quality ratings, duration, concentration restrictions and leverage restrictions.

The compliance application features unlimited user access, user training and documentation, access to compliance analysts and fully automated reporting capabilities.

Our dedicated compliance service team, through different service model offerings, can further simplify the monitoring process by offering services such as: breach notification via email and/or phone, exception resolution including validation and researching of violations, and supplemental reporting. To the best of our ability, we will work with the state to design a compliance service solution that will insure that all pension investments are in compliance with statutory limitations and internal investment policies.



APPENDIX I

CUSTODIAN AGREEMENT

Between

STATE OF MICHIGAN

and

STATE STREET BANK AND TRUST COMPANY

/Michigan/cust2006.doc



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CUSTODIAN AGREEMENT

This Agreement between the State of Michigan hereinafter called the "State" and State Street Bank And Trust Company, a Massachusetts trust company, having its principal place of business at Boston, Massachusetts, USA, hereinafter called the "Custodian."

WITNESSETH:

That in consideration of the mutual covenants and agreements contained herein the State and the Custodian agree as follows:

1. EMPLOYMENT OF CUSTODIAN AND PROPERTY TO BE HELD BY IT.

The State hereby employs the Custodian as the custodian of certain assets of the State, hereinafter called the "Account". All property delivered to the Custodian, its agents or its subcustodians shall be held and dealt with as hereinafter provided. The Custodian shall not be responsible for any property held or received by the State and not delivered to the Custodian, its agents or its subcustodians.

2. DUTIES OF THE CUSTODIAN WITH RESPECT TO PROPERTY OF THE STATE HELD BY THE CUSTODIAN.

2.1 Holding Securities. The Custodian shall hold, or direct its agents or its subcustodians to hold, for the Account, all noncash property including all securities, other than securities which are held for the Account by the Custodian, its agents or subcustodians in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository or in another book-entry system for the central handling of securities collectively referred to herein as "Securities System".

2.2 Delivery of Securities. The Custodian shall release and deliver, or direct its agents or its subcustodians to release and deliver, securities of the Account held by the Custodian, its agents or its subcustodians or in a Securities System account of the Custodian, its agents or its subcustodians only upon receipt of Proper Instructions, which may be standing instructions when deemed appropriate by the parties in the following cases:



- (a) Upon sale of such securities for the Account, unless otherwise directed by Proper Instructions; (i) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including, without limitation, delivery to the purchaser thereof or to a dealer therefor (or an agent of such purchaser or dealer) against expectation of receiving later payment; or (ii) in the case of a sale effected through a Securities System, in accordance with the rules governing the operation of the Securities System;
- (b) Upon the receipt of payment in connection with any repurchase agreement related to such securities;
- (c) To the depository agent in connection with tender or other similar offers for securities of the Account;
- (d) To the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable; provided that, unless otherwise directed by Proper Instructions, the cash or other consideration is to be delivered to the Custodian, its agents or its subcustodians;
- (e) To the issuer thereof, or its agent, for transfer into the name of the Custodian or of any nominee of the Custodian or into the name or nominee name of any of its agents or subcustodians or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units;
- (f) To brokers, clearing banks or other clearing agents for examination in accordance with "street delivery" custom;
- (g) For exchange or conversion pursuant to any plan of merger, consolidation, recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to provisions for conversion contained in such securities, or pursuant to any agreement; provided that, unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its subcustodians;
- (h) In the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities for definitive securities; provided that, unless otherwise directed by Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its subcustodians;
- (i) For delivery as security in connection with any borrowings by the State requiring a pledge of assets by the State from the Account;
- (j) In connection with trading in options and futures contracts, including delivery as original margin and variation margin;
- (k) In connection with the loan of securities; and



(l) For any other purpose, but only upon receipt of Proper Instructions specifying the securities to be delivered and naming the person or persons to whom delivery of securities shall be made.

2.3 Registration of Securities. Securities held by the Custodian, its agents or its subcustodians (other than bearer securities or securities held in a Securities System) shall be registered in the name of the Custodian or in the name of any nominee of the Custodian or in the name of any of its agents or its subcustodians or of their nominees. The Custodian, its agents and its subcustodians shall not be obligated to accept securities on behalf of the Account under the terms of this Contract unless such securities are in "street name" or other good delivery form.

2.4 Bank Accounts. The Custodian, its agents or its subcustodians may open and maintain a bank account or accounts in the name of the Custodian or otherwise, in such banks or trust companies as they may in their discretion deem advisable (including a bank of the Custodian), subject only to draft or order by the Custodian, its agents or its subcustodians acting pursuant to the terms of this Contract, and shall hold in such account or accounts, subject to the provisions hereof, cash received by or from or for the account of the State. Such funds shall be deposited by the Custodian, its agents or its subcustodians in their capacity as Custodian, agent or subcustodian and, except as otherwise provided in this Contract, shall be withdrawable by the Custodian, its agents or its subcustodians only in that capacity.

2.5 Income and Settlement Crediting.

(a) Subject to 2.5(b) and 2.5(c) below the Custodian shall credit or debit the appropriate cash account of the State in connection with the purchase, sale, maturity, redemption, income, dividends or other disposition of securities and other assets held for the time being on behalf of the State in said accounts on an actual settlement basis. The collection of income due the Account on any securities loaned by the Account other than through the Custodian's Securities Lending Program shall be the responsibility of the State and such income shall be credited upon actual receipt by the Custodian.

(b) The Custodian may make available provisional credit of settlement, maturity redemption proceeds, income and dividends on a contractual settlement basis in markets deemed appropriate for such a practice by the Custodian. Income shall be credited contractually in markets identified on Appendix F, section B.6, which may be amended from time to time. The Custodian reserves the right to reverse any such crediting at any time before actual receipt of the item associated with the credit when the Custodian determines that actual receipt will not be received in due course for such an item. In such instances, the Custodian may charge the appropriate cash account of the State for the expense of providing funds associated with such advance; provided that all such charges shall be accounted for to the State.



(c) In markets where the Custodian makes available the provisions of Section 2.5(b), the consideration payable in connection with a purchase transaction shall be debited from the appropriate cash account of the State upon the contractual settlement date for the relevant purchase transaction. The Custodian shall promptly recredit such amount at the time that the State notify the Custodian by Proper Instruction that such transaction has been canceled.

2.6 Payment of Account Moneys. Upon receipt of Proper Instructions, which may be standing instructions, the Custodian shall pay out, or direct its agents or its subcustodians to pay out, moneys of the Account in the following cases:

(a) Upon the purchase of securities for the Account, unless otherwise directed by Proper Instructions; (i) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including, without limitation, delivering money to the seller thereof or to a dealer therefor (or an agent for such seller or dealer) against expectation of receiving later delivery of such securities; or (ii) in the case of a purchase effected through a Securities System, in accordance with the rules governing the operation of such Securities System;

(b) In connection with the conversion, exchange or surrender of securities of the Account as set forth in Section 2.2 hereof;

(c) For the payment of any expense or liability including but not limited to the following payments: interest, taxes, management, accounting, transfer agent and legal fees, and operating expenses; provided that all such payments shall be accounted for to the State and shall be made in accordance with the fee arrangement set forth in Contract Agreement No. _____, dated _____, 2006, between the Custodian and State;

(d) For the purchase or sale of foreign exchange or foreign exchange contracts for the Account, including transactions executed with or through the Custodian, its agents or its subcustodians.

(e) In connection with trading in options and futures contracts, including delivery as original margin and variation margin.

(f) In connection with the borrowing of securities.

(g) For any other purpose, but only upon receipt of Proper Instructions specifying the amount of such payment and naming the person or persons to whom such payment is to be made.

2.7 Appointment of Agents and Subcustodians. The Custodian may at its discretion appoint and remove agents or subcustodians, as set forth in Appendix F (esp. sections G and H), to carry out such of the provisions of this Contract as the Custodian may from time to time direct; provided, however, that such appointment shall not relieve the Custodian of its responsibilities or liabilities under this Contract.



2.8 Proxies. The Custodian will, with respect to the securities held hereunder, promptly deliver such proxies, proxy soliciting materials and other notices relating to such securities it receives to the State and then cause the proxies to be promptly executed by itself as the registered holder without indication of the manner in which such proxies are to be voted.

2.9 Communications Relating to Account Securities. The Custodian shall transmit promptly to the State or Investment Manager written information (including, without limitation, pendency of calls and maturities of securities and expirations of rights in connection therewith) received by the Custodian from its agents or its subcustodians or from issuers of the securities being held for the Account. With respect to tender or exchange offers, the Custodian shall transmit promptly to the State or Investment Manager written information received by the Custodian from its agents or its subcustodians or from issuers of the securities whose tender or exchange is sought or from the party (or his agents) making the tender or exchange offer. The Custodian shall not be liable for any untimely exercise of any tender, exchange or other right or power in connection with securities or other property of the Account at any time held by it unless (i) it or its agents or subcustodians are in actual possession of such securities or property and (ii) it receives Proper Instructions with regard to the exercise of any such right or power, and both (i) and (ii) occur two business days for domestic securities and three days for international securities prior to the date on which such right or power is to be exercised and will endeavor to exercise later arriving instructions.

2.10 Proper Instructions. The term "Proper Instructions" shall mean instructions received by the Custodian from the State, the Investment Manager, or any person duly authorized by either of them. Such instructions may be in writing signed by an authorized person or may be in a tested communication effected between electro-mechanical or electronic devices or by such other means as may be agreed to from time to time by the Custodian and the party giving such instructions (including, without limitation, oral instructions). The State shall cause its duly authorized officer, or the duly authorized officer of any Investment Manager, to certify to the Custodian in writing the names and specimen signatures of persons authorized to give Proper Instructions. The Custodian shall be entitled to rely upon the identity and authority of such persons until it receives written notice from the State or the Investment Manager to the contrary.

2.11 Actions Permitted without Express Authority. The Custodian may, at its discretion, without express authority from the State or the Investment Manager:



- (a) surrender securities in temporary form for securities definitive form;
- (b) endorse for collection checks, drafts and other negotiable instruments; and
- (c) in general attend to all nondiscretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Account.

2.12 Evidence of Authority. The Custodian shall be without liability to the State in acting upon any instruction, notice, request, consent, certificate or other instrument or paper reasonably believed by it to be genuine and to have been properly executed or otherwise given by or on behalf of the State or an Investment Manager. The Custodian may receive and accept a certificate from the State or an Investment Manager as conclusive evidence (i) of the authority of any person to act in accordance with such certificate or (ii) of any determination or of any action by the State or the Investment Manager as described in such certificate, and such certificate may be considered in full force and effect until receipt by the Custodian of written notice to the contrary.

3. REPORTING. The Custodian shall render to the State a monthly report of all monies received or paid on behalf of the Account and an itemized statement of the securities for which it is accountable under this Contract as of the end of each month, as well as a list of all securities transactions that remain unsettled at that time.

4. COMPENSATION OF CUSTODIAN. The Custodian shall be entitled to compensation for its services and expenses as Custodian as set forth in Appendix E until a different compensation shall be agreed upon in writing between the State and the Custodian.

5. RESPONSIBILITY OF CUSTODIAN. The Custodian shall not be responsible for the title, validity or genuineness, including good deliverable form, of any property or evidence of title thereto received by it or delivered by it pursuant to this Contract and shall not be liable to the State when acting upon any notice, request, consent, certificate or instrument reasonably believed by it to be genuine and to be signed or otherwise given by the proper party or parties. The Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, and shall be without liability to the State for any action taken or omitted by it in good faith and without negligence.



The Custodian shall be without liability to the State for any loss resulting from or caused by: (i) events or circumstances beyond its reasonable control including, but not limited to nationalization, expropriation, currency restrictions, act of war or terrorism, riot, revolution, acts of God or other similar events or acts; (ii) errors by the State, or any Investment Manager in its instructions to the Custodian or (iii) acts or omissions by a Securities System. It shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the State) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice.

If the Custodian advances cash or securities for any purpose authorized under this Agreement, including the purchase or sale of foreign exchange or of contracts for foreign exchange, or in the event that the Custodian shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Contract, except such as may arise from its own negligent action, or negligent omission, any property at any time held for the account of the State or in the Account shall be security therefor and, should the State fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of the assets of the State or the Account to the extent necessary to make itself whole.

6. DUTIES OF THE CUSTODIAN WITH RESPECT TO THE VALUATION OF THE ACCOUNT.

6.1 Determination of Value. The Custodian shall determine on each Business Day (“Business Day” shall mean a day when the offices of the Custodian and State are open for business) the value of the assets of the Account. Such value shall be determined by the Custodian on the basis of the following valuation rules:

- (a) Securities shall be valued at their market values based on information and financial publications of general circulation, statistical and valuation services, records of security exchanges, transactions and bona fide offers in assets of the type in question and other information customarily used in the valuation of assets (“Pricing Source(s)”; or if market values are not available, at their fair or appraised values as provided to the Custodian by the party with authority to trade such securities (Investment Manager or its agents, or the State, as applicable).



Custodian may rely on the prices provided by Pricing Sources, and any values provided by the Investment Manager or its agents, or the State as a certification as to such securities' values in performing any valuations or calculations required of the Custodian by this Contract.

(b) An investment purchased and awaiting payment against delivery shall be included for valuation purposes as a security held. Investments sold but not delivered pending receipt of proceeds shall be valued at the net sales price.

(c) For purposes of valuation with respect to (a) and (b) above, all securities and cash or cash equivalents will be quoted in the local currency and then converted into U.S. Dollars using the appropriate exchange rate obtained by the Custodian.

The State hereby agrees that Custodian shall have no liability for any incorrect data (including data received late) provided to it by a Pricing Source except as may arise from Custodian's negligence or lack of reasonable care in selecting such Pricing Sources or performing either any agreed-upon tolerance checks or its customary tolerance checks as to the data furnished. Further, the Custodian shall have no liability for any incorrect value or other data (including data received late) provided by either an Investment Manager or its agents, or the State. The Custodian may use in its discretion its usual and customary default pricing procedures.

The Custodian upon the State's request, may calculate the Net Asset Value of the Account in accordance with the following rules:

(a) The Net Asset Value of the Account shall equal the value of the assets of the Account less the accrued liabilities incurred by the Account. The items carried as accrued liabilities shall be identified in a written operating agreement between the parties hereto.

(b) For an investment purchased and awaiting payment against delivery the accounts payable shall be adjusted to reflect the purchase price, including brokers' commissions and other expenses incurred in the purchase thereof, but not disbursed as of the valuation date.

6.2 Suspension of Valuations. Notwithstanding anything to the contrary in this Agreement, the Custodian, with notice to the State, may suspend the valuation of Account for the whole or any part of any period when:



(a) any market or exchange on which any of the investments of the Account are quoted is closed (other than for market holidays) or during which dealings therein are restricted or suspended; or (b) there has been a breakdown in the means of communication, or in any software and/or hardware systems, normally employed in determining the prices or value of any of the investments of the Account, or of current prices on any market or exchange on which any investments of the Account are quoted, or when for any reason the prices or values of any investments owned by the Account cannot reasonably be promptly and accurately ascertained. The Custodian shall use reasonable efforts to rectify any problems affecting its ability to value assets and shall begin valuations as soon as practicable after such problems are resolved.

7. SECURITY CODES. If the Custodian has issued to the State, or to any Investment Manager appointed by the State, security codes or passwords in order that the Custodian may verify that certain transmissions of information, including Proper Instructions, have been originated by the State or the Investment Manager, as the case may be, the Custodian shall be without liability to the State for any action taken or omitted by it in reliance upon receipt by the Custodian of transmissions of information with the proper security code or password, including instructions purporting to be Proper Instructions, which the Custodian reasonably believes to be from the State or Investment Manager.

8. TAX LAW. The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on the State, the Account or the Custodian as custodian of the Account by the tax law of the United States of America or any state or political subdivision thereof. If taxes, withholding, assessments and other governmental charges, including stamp duties are imposed upon the Account by the tax law of jurisdictions other than those mentioned in the above sentence, the sole responsibility of the Custodian is to assist with respect to any claim for exemption or refund to which the State is entitled under the tax law of such jurisdiction based on upon tax status information and certifications provided by the State. (Also see section 2.304 of Contract.)



9. INVESTMENT MANAGER.

9.1 Appointment and Termination of Appointment. The State at any time may appoint one or more Investment Managers to manage the investment of all or any portion of the Account. In such event, the State shall notify the Custodian in writing of the appointment of such Investment Manager, and of the portion of the assets over which the Investment Manager may exercise its authority. The State similarly shall notify the Custodian of the termination of the appointment of any Investment Manager.

9.2 Authority. The Custodian, in performing its duties under this Contract, shall be entitled to rely upon Proper Instructions from an Investment Manager, with such limitations as the State and the Custodian by written agreement provide. In the absence of such limitations, the Custodian shall accept Proper Instructions from the Investment Manager to the same extent as the Custodian would be entitled to accept such Proper Instructions from the State if no Investment Manager had been appointed.

10. EFFECTIVE PERIOD, TERMINATION AND AMENDMENT. This Contract shall become effective as of July 1, 2006, shall continue in full force and effect until June 30, 2011. It may be amended at any time by mutual written agreement of the parties hereto, and may be terminated by either party by an instrument in writing delivered or mailed, postage prepaid to the other party, such termination to take effect not sooner than thirty (30) days after the date of such delivery or mailing, unless a different period is agreed to in writing by the parties.

The provisions of Sections 6, 7 and 8 of this Contract shall survive termination of this Contract for any reason. Upon termination of this Contract, the State shall pay to the Custodian upon demand such compensation as may be due in connection with such termination and shall likewise reimburse the Custodian for its costs, expenses and disbursements. (Also see section 2.701 of Contract.)

11. ACTION ON TERMINATION. If a successor custodian shall be appointed by the State, the Custodian shall, within a reasonable time after termination, deliver to such successor custodian at the office of the Custodian, its agents or its subcustodians or as otherwise agreed, duly endorsed and in the form for transfer, all securities, funds and other property then held by it hereunder and shall transfer to an account of the successor custodian all of the Account's securities held in a Securities System.



If no such successor custodian shall be appointed, the Custodian shall, in like manner, upon receipt of Proper Instructions from the State, deliver at the office of the Custodian, its agents or its subcustodians or as otherwise agreed and transfer such securities, funds and other property in accordance with such Proper Instructions.

In the event that no written order designating a successor custodian and no Proper Instructions as aforesaid shall have been delivered to the Custodian on or before the date when such termination shall become effective, the Custodian shall have the right to deliver to a bank or trust company of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report of not less than \$100,000,000, all securities, funds, and other property held by the Custodian. Thereafter, such bank or trust company shall be the successor of the Custodian under this Contract.

In the event that securities, funds and other property remain in the possession of the Custodian, its agents or its subcustodians after the date of termination hereof owing to failure of the State to appoint a successor custodian or to give the Proper Instructions referred to above, the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such securities, funds and other property and the provisions of this Contract relating to the duties and obligations of the Custodian shall remain in full force and effect. (Also see section 2.702 of Contract.)

12. REPRESENTATIONS AND WARRANTIES. The State represent and warrants to the Custodian that it has the power under its Articles of Incorporation and By-Laws (or equivalent) to enter into and perform its obligations under this Contract, and has duly executed this Contract so as to constitute valid and binding obligations of the State. (Also see section 2.505 of Contract.)

13. NOTICES. See section 2.003 of Contract.

14. GOVERNING LAW. See section 2.005 of Contract.