

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

May 9, 2011

**CHANGE NOTICE NO. 3 (REVISED*)
 TO
 CONTRACT NO. 071B6200312**

**between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF CONTRACTOR CREDIT SUISSE AG, NEW YORK BRANCH Eleven Madison Avenue New York, NY 10010 dwight.skerritt@csfb.com	TELEPHONE (212) 325-7625 Dwight A.L. Skerritt
	CONTRACTOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: James L. Elkin (517) 373-3144 elkinssj1@michigan.gov Securities Lending Services -Treasury	
CONTRACT PERIOD: From: June 1, 2006 To: May 31, 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 *June 1, 2011, this Contract is hereby EXTENDED to May 31, 2013 and INCREASED by \$66,200,000.00.

*Additionally, see attached "Addendum to Change Notice #3" and "Schedule I to Appendix F"

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

AUTHORITY/REASON:

Per DTMB/Purchasing Operations and Agency request and the approval of the State Administrative Board on March 1, 2011.

INCREASE: \$66,200,000.00

REVISED ESTIMATED CONTRACT VALUE: \$86,200,000.00

ADDENDUM TO CHANGE NOTICE NO. 3 TO CONTRACT NO. 071B6200312

Reference is made to Contract No. 071B6200312, dated as of June 1, 2006, between the State of Michigan (the "State") and Credit Suisse AG, New York Branch ("CSAG, NYB"), as amended by Change Notice No. 1 dated October 5, 2006 and Side Letter Agreement dated June 9, 2009 (the "Agreement"). Capitalized terms used, but not defined herein shall have the meanings ascribed to such terms in Appendix F of the Agreement.

The State desires, and CSAG, NYB agrees, to amend the Agreement as set forth herein. Pursuant to Section 2.8 of the Agreement and in consideration of the mutual representations, warranties and covenants made herein, and for good and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Section 3(e) of Appendix F of the Agreement is amended as follows:

- (a) adding the following after the first reference to the words "Cash Collateral Investment Shortfalls" in the third sentence therein:

"and, except as provided in Section 6(b) hereof, all Repurchase Agreement Cash Collateral Investment Shortfalls"; and

- (b) adding the following after the second reference to the words "Cash Collateral Investment Shortfalls" in the third sentence therein:

"and, except as provided in Section 6(b) hereof, an amount equal to such Repurchase Agreement Cash Collateral Investment Shortfalls".

2. Section 6 of Appendix F of the Agreement is amended by adding a new Section 6(b) as follows:

"(b) If a Repurchase Agreement Cash Collateral Investment Shortfall occurs with respect to a Triparty Repurchase Transaction due to an Act of Insolvency (as such term is defined in the applicable Master Repurchase Agreement) of Seller under the applicable Triparty Repurchase Transaction, then Contractor shall pay to the State an amount equal to such Repurchase Agreement Cash Collateral Investment Shortfall."

3. Section 6 of Appendix F of the Agreement is further amended as follows:

- (a) renumbering the existing Sections 6(b), (c) and (d) as Sections 6(c), (d) and (e), respectively;

- (b) amending the renumbered Section 6(c) by (i) replacing "Section 6(a)" with "Sections 6(a) and (b)" in the first line thereof, (ii) adding "or Approved Repo Seller" after "Approved Borrower" in the second, third and fifth lines thereof, (iii) adding "or Triparty Repurchase Transaction" after "Loan" in the fourth line thereof and (iv) replacing "(b)" with "(c)" in the eighth line thereof; and

- (c) amending the renumbered Section 6(d) by (i) replacing "Section 6(a)" with "Sections 6(a) and (b)" in the first line thereof, (ii) adding "or Triparty Repurchase Transactions" after "Loans" in the first line thereof, (iii) replacing "Credit Suisse" with "Credit Suisse AG" in the third and fourth lines thereof and (iv) adding "or Approved Repo Seller" after "Approved Borrower" in the third line thereof.

4. Annex A to Appendix F of the Agreement is amended as follows:

- (a) in the definition of "Approved Investment", adding "a Triparty Repurchase Transaction and" after "mean" in the first line thereof and deleting ", and any repurchase, reverse-repurchase or sell and buy-back agreement in respect thereof," in the first and second lines thereof.

- (b) in the definition of "Cash Collateral Investment Shortfall", adding the following sentence at the end thereof:

"For purposes of the definition of Cash Collateral Investment Shortfall, Cash Collateral Investments shall not include Triparty Repurchase Transactions."

- (c) in the definition of "Collateral Account", adding "(including those accounts established with any Repo Custodians)" after "Collateral Custodian" in the second line thereof and adding "(including any securities or other financial assets or property acquired with Loan Collateral pursuant to any Triparty Repurchase Transaction under which any Repo Custodian is the relevant custodian)" after "Loan Collateral" in the second line thereof.

- (d) in the definition of "Collateral Value", replacing "and" with "," in the fourth line thereof and adding "and any Repurchase Agreement Cash Collateral Investment Shortfalls" after "Cash Collateral Investment Shortfalls" in the fourth line thereof.
 - (e) in the definition of "Related Agreements", replacing " all repurchase, reverse-repurchase and sell and buy-back agreements, if any, executed by Contractor on behalf of the State in connection with Approved Investments," with "the Master Repurchase Agreements, the Triparty Repurchase Agreements" in the second and third lines thereof.
5. Annex A to Appendix F of the Agreement is further amended by adding the following new definitions in their respective alphabetical order:
- (a) "Approved Repo Seller" shall mean any entity specified on Schedule I hereto (which may be amended from time to time in a writing executed by the State and Contractor) which enters into any Triparty Repurchase Transaction with Contractor on behalf of the State.
 - (b) "Master Repurchase Agreement" shall mean each repurchase agreement, and each annex, schedule, and exhibit thereto, entered into by Contractor, as the State's agent and Seller, setting forth the terms and conditions pursuant to which Seller may from time to time sell certain securities or other assets to the State, subject to the State's agreement to resell such securities or other assets to Seller at a future date at a stated price plus interest.
 - (c) "Repo Custodian" shall mean the custodian holding the account used to hold cash and securities in connection with any Triparty Repurchase Transactions effected on behalf of the State with Cash Collateral in accordance with the Related Agreements.
 - (d) "Repurchase Agreement Cash Collateral Investment Shortfall" shall mean, with respect to a Triparty Repurchase Transaction at any time of determination, an amount equal to (i) the Market Value (as such term is defined in the applicable Master Repurchase Agreement) of the Purchased Securities (as such term is defined in the applicable Master Repurchase Agreement) as of the date determined by Contractor in its sole discretion *less* (ii) the Repurchase Price (as such term is defined in the applicable Master Repurchase Agreement) paid by Seller on the Repurchase Date (as such term is defined in the applicable Master Repurchase Agreement) determined by reference to the applicable Triparty Repurchase Transaction (whether or not in connection with the sale or liquidation of such Triparty Repurchase Transaction) which results in a deficiency in the amount of Loan Collateral available for return to an Approved Borrower.
 - (e) "Seller" shall have the meaning set forth in the applicable Master Repurchase Agreement and, for purposes of this Agreement, shall also mean an Approved Repo Seller as defined herein.
 - (f) "Triparty Repurchase Agreement" shall mean each custodial undertaking agreement, and each annex, schedule, and exhibit thereto, entered into by Contractor, as the State's agent, Seller and a Repo Custodian, providing for, among other things, the establishment of each account at the Repo Custodian in the State's and Seller's names.
 - (g) "Triparty Repurchase Transaction" shall mean each repurchase transaction pursuant to a Master Repurchase Agreement and a Triparty Repurchase Agreement.
6. Schedule I to Appendix F of the Agreement is deleted in its entirety and replaced with the following:

SCHEDULE I TO APPENDIX F

List of Approved Borrowers

1. Barclays Capital Inc.¹
2. BMO Capital Markets Corp.²
3. BNP Paribas Prime Brokerage, Inc.²
4. BNP Paribas Securities Corp.¹
5. Cantor Fitzgerald & Co.²
6. Citigroup Global Markets Inc.¹
7. Commerz Markets LLC²
(f/k/a Dresdner Kleinwort Securities LLC)
8. Credit Agricole Securities (USA) Inc.² (f/k/a
Calyon Securities (USA) Inc.)
9. Credit Suisse Securities (USA) LLC²
10. Daiwa Capital Markets America Inc.¹
(f/k/a Daiwa Securities America Inc.)
11. Deutsche Bank Securities Inc.¹
12. Goldman Sachs & Co.¹
13. HSBC Securities (USA) Inc.¹
14. ING Financial Markets LLC²
15. Jefferies & Company Inc.²
16. J.P. Morgan Clearing Corp.²
17. J.P. Morgan Securities LLC¹
(f/k/a J.P. Morgan Securities, Inc.)
18. Merrill Lynch, Pierce, Fenner & Smith
Incorporated¹
19. MF Global Inc.²
20. Mizuho Securities USA Inc.²
21. Morgan Stanley & Co., Incorporated¹
22. MS Securities Services Inc.²
23. National Financial Services LLC²
24. Nomura Securities International Inc.¹
25. RBS Securities Inc.¹
(f/k/a Greenwich Capital Markets Inc.)
26. RCAP Securities Inc.²
27. SG Americas Securities, LLC²
28. Societe Generale, New York Branch²
29. UBS Securities LLC¹
30. U.S. Bancorp Investments, Inc.²

¹ Counterparty may enter into securities lending transactions and Triparty Repurchase Transactions.

² Counterparty may enter into securities lending transactions only.

7. Schedule II to Appendix F of the Agreement is amended by replacing all references to "Triparty Repurchase Agreements", "Repurchase Agreements" and "Repurchase Transactions" with "Triparty Repurchase Transactions" and all references to "Triparty Repurchase Agreement" and "repurchase agreement" with "Triparty Repurchase Transaction".
8. Schedule III to Appendix F of the Agreement is amended by deleting the Sections entitled "Contractor's Fee:" and "Securities Lending Revenue:" in their entirety and replacing them with the following:

"Contractor's Fee: 9.5% of Program Income

Securities Lending Revenue of the State: 90.5% of Program Income"

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

March 4, 2011

**CHANGE NOTICE NO. 3
 TO
 CONTRACT NO. 071B6200312**

**between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (212) 325-7625 Dwight A.L. Skerritt
CREDIT SUISSE, NEW YORK BRANCH Eleven Madison Avenue New York, NY 10010 dwight.skerritt@csfb.com		CONTRACTOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Vernon Johnson Securities Lending Services -Treasury		
CONTRACT PERIOD: From: June 1, 2006		To: May 31, 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, this Contract is hereby **EXTENDED** to **May 31, 2013** and **INCREASED** by **\$66,200,000.00**.

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

AUTHORITY/REASON:

Per DTMB/Purchasing Operations and Agency request and the approval of the State Administrative Board on March 1, 2011.

INCREASE: \$66,200,000.00

REVISED ESTIMATED CONTRACT VALUE: \$86,200,000.00

**071B6200312
Change Notice No. 3
Signature Block**

FOR THE VENDOR:

CREDIT SUISSE, NEW YORK BRANCH

Firm Name

Authorized Agent Signatures

Authorized Agents (Print or Type)

Date

FOR THE STATE:

Signature

Natalie Spaniolo, Acting Director

Name/Title

Purchasing Operations

Department

Date

Mr. Gene P. Gemelli
Credit Suisse AG, New York Branch
Eleven Madison Avenue, 4th Floor
New York, NY 10010-3629

Dear Mr. Gemelli:

Reference is made to Contract No. 071B6200312, dated as of June 1, 2006, between the State of Michigan (the "State") on behalf of the State Treasurer as custodian of the Michigan Public School Employees Retirement System, the Michigan State Employees Retirement System, the Michigan State Police Retirement System, and the Michigan Judges Retirement System and Credit Suisse AG, New York Branch ("CSAG, NYB"), as amended (the "Agreement"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in Appendix F of the Agreement.

The State desires, and CSAG, NYB agrees, to amend the Agreement as set forth herein. Pursuant to Section 2.8 of the Agreement and in consideration of the mutual representations, warranties and covenants made herein, and for good and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Section 6 of Appendix F of the Agreement is amended by adding a new Section 6(b) as follows:

"(b) If a Repurchase Agreement Cash Collateral Investment Shortfall occurs with respect to a Triparty Repurchase Transaction due to an Act of Insolvency (as such term is defined in the applicable Master Repurchase Agreement) of Seller under the applicable Triparty Repurchase Transaction, then Contractor shall pay to the State an amount equal to such Repurchase Agreement Cash Collateral Investment Shortfall."

2. Section 6 of Appendix F of the Agreement is further amended as follows:

(a) renumbering the existing Sections 6(b), (c) and (d) as Sections 6(c), (d) and (e), respectively;

(b) amending the renumbered Section 6(c) by (i) replacing "Section 6(a)" with "Sections 6(a) and (b)" in the first line thereof, (ii) adding "or Approved Repo Seller" after "Approved Borrower" in the second, third and fifth lines thereof, (iii) adding "or Triparty Repurchase Transaction" after "Loan" in the fourth line thereof and (iv) replacing "(b)" with "(c)" in the eighth line thereof; and

(c) amending the renumbered Section 6(d) by (i) replacing "Section 6(a)" with "Sections 6(a) and (b)" in the first line thereof, (ii) adding "or Triparty Repurchase Transactions" after "Loans" in the first line thereof, (iii) replacing "Credit Suisse" with "Credit Suisse AG" in the third and fourth lines thereof and (iv) adding "or Approved Repo Seller" after "Approved Borrower" in the third line thereof.

3. Annex A to Appendix F of the Agreement is amended as follows:

(a) in the definition of "Approved Investment", adding "a Triparty Repurchase Transaction and" after "mean" in the first line thereof and deleting ", and any repurchase, reverse-repurchase or sell and buy-back agreement in respect thereof," in the first and second lines thereof.

- (b) in the definition of "Cash Collateral Investment Shortfall", adding the following sentence at the end thereof:

"For purposes of the definition of Cash Collateral Investment Shortfall, Cash Collateral Investments shall not include Triparty Repurchase Transactions."
- (c) in the definition of "Collateral Account", adding "(including those accounts established with any Repo Custodians)" after "Collateral Custodian" in the second line thereof and adding "(including any securities or other financial assets or property acquired with Loan Collateral pursuant to any Triparty Repurchase Transaction under which any Repo Custodian is the relevant custodian)" after "Loan Collateral" in the second line thereof.
- (d) in the definition of "Collateral Value", replacing "and" with "," in the fourth line thereof and adding "and any Repurchase Agreement Cash Collateral Investment Shortfalls" after "Cash Collateral Investment Shortfalls" in the fourth line thereof.
- (e) in the definition of "Related Agreements", replacing " all repurchase, reverse-repurchase and sell and buy-back agreements, if any, executed by Contractor on behalf of the State in connection with Approved Investments," with "the Master Repurchase Agreements, the Triparty Repurchase Agreements" in the second and third lines thereof.

4. Annex A to Appendix F of the Agreement is further amended by adding the following new definitions in their respective alphabetical order:

- (a) "Approved Repo Seller" shall mean any entity specified on Schedule I hereto (which may be amended from time to time in a writing executed by the State and Contractor) which enters into any Triparty Repurchase Transaction with Contractor on behalf of the State.
- (b) "Master Repurchase Agreement" shall mean each repurchase agreement, and each annex, schedule, and exhibit thereto, entered into by Contractor, as the State's agent and Seller, setting forth the terms and conditions pursuant to which Seller may from time to time sell certain securities or other assets to the State, subject to the State's agreement to resell such securities or other assets to Seller at a future date at a stated price plus interest.
- (c) "Repo Custodian" shall mean the custodian holding the account used to hold cash and securities in connection with any Triparty Repurchase Transactions effected on behalf of the State with Cash Collateral in accordance with the Related Agreements.
- (d) "Repurchase Agreement Cash Collateral Investment Shortfall" shall mean, with respect to a Triparty Repurchase Transaction at any time of determination, an amount equal to (i) the Market Value (as such term is defined in the applicable Master Repurchase Agreement) of the Purchased Securities (as such term is defined in the applicable Master Repurchase Agreement) as of the date determined by Contractor in its sole discretion /less (ii) the Repurchase Price (as such term is defined in the applicable Master Repurchase Agreement) paid by Seller on the Repurchase Date (as such term is defined in the applicable Master Repurchase Agreement) determined by reference to the applicable Triparty Repurchase Transaction (whether or not in connection with the sale or liquidation of such Triparty Repurchase Transaction) which results in a deficiency in the amount of Loan Collateral available for return to an Approved Borrower.
- (e) "Seller" shall have the meaning set forth in the applicable Master Repurchase Agreement and, for purposes of this Agreement, shall also mean an Approved Repo Seller as defined herein.
- (f) "Triparty Repurchase Agreement" shall mean each custodial undertaking agreement, and each annex, schedule, and exhibit thereto, entered into by Contractor, as the State's agent, Seller and a Repo Custodian, providing for, among other things, the establishment of each account at the Repo Custodian in the State's and Seller's names.
- (g) "Triparty Repurchase Transaction" shall mean each repurchase transaction pursuant to a Master Repurchase Agreement and a Triparty Repurchase Agreement.

5. Schedule I to Appendix F of the Agreement is deleted in its entirety and replaced with the following:

SCHEDULE I TO APPENDIX F

List of Approved Borrowers

- | | |
|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| 31. Bank of America ³ | 53. J.P. Morgan Securities, Inc. ¹ |
| 32. Barclays Capital Inc. ¹ | 54. Macquarie Bank Limited ² |
| 33. BMO Capital Markets Corp. ¹ | 55. Macquarie Securities (USA) Inc. ² |
| 34. BNP Paribas Mortgage Securities Corp. ³ | 56. Maple Securities U.S.A. Inc. ² |
| 35. BNP Paribas Prime Brokerage, Inc. ² | 57. Merrill Lynch, Pierce, Fenner & Smith
Incorporated ¹ |
| 36. BNP Paribas Securities Corp. ¹ | 58. MF Global Inc. ¹ |
| 37. Cantor Fitzgerald & Co. ² | 59. Mizuho Securities USA Inc. ² |
| 38. CIBC World Markets Corp. ² | 60. Morgan Stanley & Co., Incorporated ¹ |
| 39. Citigroup Financial Products Inc. ³ | 61. MS Securities Services Inc. ¹ |
| 40. Citigroup Global Markets Inc. ¹ | 62. National Financial Services LLC ² |
| 41. Commerz Markets LLC ¹
(f/k/a Dresdner Kleinwort Securities LLC) | 63. Nomura Securities International Inc. ¹ |
| 42. Credit Agricole Securities (USA) Inc. ²
(f/k/a Calyon Securities (USA) Inc.) | 64. Raymond James and Associates Inc. ² |
| 43. Credit Suisse Securities (Europe) Limited. ² | 65. RBC Capital Markets Corporation ² |
| 44. Credit Suisse Securities (USA) LLC ¹ | 66. RBC Dominion Securities Inc. ² |
| 45. Credit Suisse, Zurich ² | 67. RBS Securities Inc.. ¹
(f/k/a Greenwich Capital Markets Inc.) |
| 46. Daiwa Securities America Inc. ¹ | 68. RCAP Securities Inc. ¹ |
| 47. Deutsche Bank Securities Inc. ¹ | 69. SG Americas Securities, LLC ² |
| 48. Goldman Sachs & Co. ¹ | 70. Societe Generale, New York Branch ² |
| 49. HSBC Securities (USA) Inc. ¹ | 71. South Street Securities LLC ¹ |
| 50. ING Financial Markets LLC ² | 72. Timber Hill LLC ² |
| 51. Jefferies & Company Inc. ² | 73. UBS Securities LLC ¹ |
| 52. J.P. Morgan Clearing Corp. ¹ | 74. U.S. Bancorp Investments, Inc. ¹ |

¹ Counterparty may enter into securities lending transactions and Triparty Repurchase Transactions.

² Counterparty may enter into securities lending transactions only.

³ Counterparty may enter into whole loan Triparty Repurchase Transactions only.

6. Schedule II to Appendix F of the Agreement is amended by replacing all references to "Triparty Repurchase Agreements", "Repurchase Agreements" and "Repurchase Transactions" with "Triparty Repurchase Transactions" and all references to "Triparty Repurchase Agreement" and "repurchase agreement" with "Triparty Repurchase Transaction".
7. Schedule III to Appendix F of the Agreement is amended by deleting the Sections entitled "Contractor's Fee:" and "Securities Lending Revenue:" in their entirety and replacing them with the following:

"Contractor's Fee: 9.5% of Program Income
Securities Lending Revenue of the State: 90.5% of Program Income"
8. The State represents that (i) this Letter Amendment has been duly authorized by the State and, upon execution and delivery hereof will be the legal, valid and binding obligation of the State; (ii) this Letter Amendment is executed and delivered in accordance with the terms of the Agreement, is a valid amendment to such Agreement, and is consistent with any statute, regulation, rule, order, judgment or policy binding on the State; and (iii) the person executing this Letter Amendment on behalf of the State has been duly and properly authorized to do so.
9. Except as otherwise set forth herein, the Agreement shall remain unchanged and in full force and effect. From and after the date hereof, any reference to the Agreement shall be a reference to the Agreement as amended by this Letter Amendment.
10. The Letter Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.
11. THIS LETTER AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF MICHIGAN.

We appreciate your prompt attention to this matter and implementation of the revised Agreement.

Sincerely,

STATE OF MICHIGAN

By: _____
Name:
Title:

CC: Ronald C. Jones, Jr.
Vernon L. Johnson
James L. Elkins
Daniel J. Quigley
Jonathan Kowolik, R.V. Kuhns & Associates, Inc.

ACCEPTED AND AGREED:

CREDIT SUISSE AG, NEW YORK BRANCH

By: _____
Name:
Title: Authorized Signatory

By: _____
Name:
Title: Authorized Signatory

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. 071B6200312**

**between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (212) 325-7625 Dwight A.L. Skerritt
CREDIT SUISSE, NEW YORK BRANCH Eleven Madison Avenue New York, NY 10010 dwight.skerritt@csfb.com		CONTRACTOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Vernon Johnson Securities Lending Services -Treasury		
CONTRACT PERIOD: From: June 1, 2006		To: May 31, 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, this 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 DMB/Purchasing Operations.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$20,000,000.00

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

October 5, 2006

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B6200312
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR CREDIT SUISSE, NEW YORK BRANCH Eleven Madison Avenue New York, NY 10010 dwight.skerritt@csfb.com	TELEPHONE (212) 325-7625 Dwight A. L. Skerritt
	VENDOR NUMBER/MAIL CODE (2) 13-5015677 (001)
	BUYER/CA (517) 241-1647 Irene Pena ^{for} DSC
Contract Compliance Inspector: Vernon Johnson Securities Lending 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 October 8, 2006, the following changes are made to this contract:

1. Change Schedule III to Appendix F, Securities Lending Revenue section, first paragraph from

"To the extent that the aggregate Program Income earned at the end of each twelve-month period starting on June 1, 2006 and ending on May 31, 2009 is less than \$17,647,059, Contractor shall pay the State an amount equal to the difference between (i) \$15,000,000 and (ii) 85% of such aggregate Program Income (the "Shortfall Amount") promptly after such twelve-month period. Upon payment of any such Shortfall Amount for such twelve-month period, Contractor shall have satisfied its financial obligations to the State."

To;

"To the extent that the aggregate Program Income earned at the end of each twelve-month period starting on June 26, 2006 and ending on June 30, 2009 is less than \$17,647,059, Contractor shall pay the State an amount equal to the difference between (i) \$15,000,000 and (ii) 85% of such aggregate Program Income (the "Shortfall Amount") promptly after such twelve-month period. Upon payment of any such Shortfall Amount for such twelve-month period, Contractor shall have satisfied its financial obligations to the State."

2. Change Schedule III to Appendix F, Contractor's Fee section, first bullet from

" - 15% of Program Income if State's annual securities lending revenue is less than \$15,000,000;"

To;

" - 15% of Program Income if State's annual securities lending revenue is less than \$18,000,000;

3. Extend end date of contract one (1) month to June 30, 2011.

4. See attached Addendum to Custody Contract

All other terms and conditions to remain the same

AUTHORITY/REASON:

Per agency request and DMB approval.

Estimated Contract Value Remains: \$20,000,000.00

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

notify the Custodian of the obligations imposed on Lender's Agent, the Available Securities Account or the Custodian as custodian of the Available Securities Account by the tax law of jurisdictions other than those mentioned in the above sentence, including responsibility for withholding and other taxes, assessments or other governmental charges, certifications and governmental reporting to the extent such obligations arise from Securities Lending Transactions. The sole responsibility of the Custodian with regard to such tax law shall be to use reasonable efforts to assist Lender's Agent with respect to any applicable claim for exemption or refund under the tax law of jurisdiction for which Lender's Agent has provided such information.

(e) Survival. The provisions of Sections 7 and 10 hereof shall survive the termination of this contract for any reason.

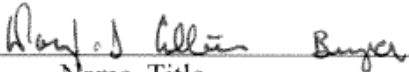
11. Force Majeure. The Custodian shall be without liability for any loss resulting from or caused by: (i) events or circumstances beyond its reasonable control including, but not limited to nationalization, expropriation, currency restrictions, act of war or terrorism, riot, revolution, acts of God or other similar events or acts; (ii) errors by the Lender or Lender's Agent in its instructions to the Custodian or (iii) acts or omissions by a Securities System.

12. Miscellaneous. This Agreement may be amended at any time in writing by agreement of the parties. All references herein to time of day refer to Eastern Time. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute only one instrument.


13. Notices. Securities Investors Protection Act of 1970 Notice. THE LENDER IS HEREBY ADVISED AND ACKNOWLEDGES THAT THE PROVISIONS OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 MAY NOT PROTECT IT WITH RESPECT TO THE LOAN OF SECURITIES HEREUNDER AND THAT, THEREFORE, THE COLLATERAL MAY CONSTITUTE THE ONLY SOURCE OF SATISFACTION OF THE BROKER'S OR DEALER'S OBLIGATION IN THE EVENT THE BROKER OR DEALER FAILS TO RETURN THE SECURITIES.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed in its name and behalf by its duly authorized representative as of the day first above written.

State of Michigan Department of Treasury


Name, Title

STATE STREET BANK AND TRUST COMPANY, AS CUSTODIAN


Vice President

Credit Suisse New York Branch

Name, Title

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

June 1, 2006

**NOTICE
 TO**

**CONTRACT NO. 071B6200312
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR CREDIT SUISSE, NEW YORK BRANCH Eleven Madison Avenue New York, NY 10010 <div style="text-align: right;">dwight.skerritt@csfb.com</div>	TELEPHONE (212) 325-7625 Dwight A. L. Skerritt
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 335-4804 Douglas Collier
Contract Compliance Inspector: Vernon Johnson <div style="text-align: center;">Securities Lending Services -Treasury</div>	
CONTRACT PERIOD: From: June 1, 2006 To: May 31, 2011	
TERMS <div style="text-align: center;">Net 30</div>	SHIPMENT <div style="text-align: center;">N/A</div>
F.O.B. <div style="text-align: center;">N/A</div>	SHIPPED FROM <div style="text-align: center;">N/A</div>
MINIMUM DELIVERY REQUIREMENTS <div style="text-align: center;">N/A</div>	

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: \$20,000,000.00

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

**CONTRACT NO. 071B6200312
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR CREDIT SUISSE, NEW YORK BRANCH Eleven Madison Avenue New York, NY 10010 <div style="text-align: right;">dwight.skerritt@csfb.com</div>	TELEPHONE (212) 325-7625 Dwight A. L. Skerritt <hr/> VENDOR NUMBER/MAIL CODE <hr/> BUYER/CA (517) 335-4804 Douglas Collier
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MINIMUM DELIVERY REQUIREMENTS <div style="text-align: center;">N/A</div>	
MISCELLANEOUS INFORMATION: <p>The terms and conditions of this Contract are those of ITB #07115200272, 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: \$20,000,000.00</p>	

FOR THE VENDOR:

CREDIT SUISSE, NEW YORK BRANCH
 Firm Name

Authorized Agent Signatures

Authorized Agents (Print or Type)

Date

FOR THE STATE:

 Signature
Sean L. Carlson
Chief Procurement Officer

Name/Title

Business Services Administration
 Department

Date



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- A CURRENT TECHNICAL ENVIRONMENT AND KEY FEATURES OF ACCOUNTING SYSTEM**
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- C PRICE PROPOSAL**
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Supplemental Appendices (Supplemental Appendices are held in master file in DMB and BOI; additionally, the Supplemental Appendices were provided with Credit Suisse's proposal dated July 21, 2005. Credit Suisse will have reasonable access to files.)

- A. 2005 Annual Report**
- B. SAS 70 Reviews 2002-2004**
- C. Insurance Supplement**
- D. Staff Biographies**
- E. Diversity Supplement**
- F. Transition Flow**
- G. CS Lending Statistics**
- H. International Lending**
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- P. Revenue Estimate**
- Q. Resumes of State of Michigan Account Team**



Article 1 Statement of Work (SOW)

1.0 Project Identification

1.001 Project Request

CREDIT SUISSE will provide the following:

1. Provide securities lending services for its securities lending activities and to provide all the attendant services as more fully described in Appendix F (Securities Lending Supplemental Terms and Conditions) attached hereto.

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

The State is also seeking to appoint an organization to provide securities lending services for its securities lending activities and to provide all the attendant services

- ▶ Securities lending services (see section 1.104.2)

This Contract provides the securities lending, performance measurement, and custody services proposals are awarded separately (see section 4.601 for Selection Criteria). All Contractors will work together and supply each other with the necessary information.

1.102 Reserved

1.103 Technical Environment

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

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

**1.0 Custody Services (Custodian Contractor) Reserved****2.0 Securities Lending Services (Securities Lending Contractor)****2.1. Securities Lending - Collateral**

- a. Collateral must always represent at least 102 percent of the market value of domestic securities on loan and at least 105 percent of the market value of international securities on loan. These percentages of collateral may increase if industry standards increase but they may not be lowered without the State's approval (see section 2.002).

Bidder Response to task:

Accepted

- b. Cash collateral is secured by collateral of cash to be invested in investment grade securities or repurchase agreements collateralized by investment grade securities, irrevocable bank letters of credit, or securities issued or guaranteed by the United States government or an agency of the United States government.

Bidder Response to task:

Accepted

2.2. Securities Lending - Income

- a. Income from securities lending transactions must be available within one business day of the due date or payable date.

Bidder Response to task:

Accepted

2.3. Securities Lending - Reporting

- a. Provide a monthly report reflecting the investment of cash collateral. If invested in a commingled or mutual fund, a list reflecting the assets of the fund must be submitted to the BOI Contract Compliance Inspector or designee for review.

Bidder Response to task:

Accepted

- b. Monthly reports summarizing both the securities lending activity and income earned, including but not limited to:

- 1) Security types
- 2) Average lendable pool dollars
- 3) Average dollars on loan
- 4) Average earnings basis points
- 5) State's percentage of earnings

Bidder Response to task:

Accepted

- c. Reports must be provided for each of the State's investment pools that participate in securities lending. These reports must include the following:

- 1) Fund identifier
- 2) Fund name
- 3) Collateral Currency
- 4) Total:
 - a) Gross Earnings
 - b) Borrower Rebate



- c) Net Earnings
- d) Client (State's) earnings
- e) Reinvested Earnings
- f) Other Earnings
- 5) Cash
 - a) Net Earnings
 - b) Client (State's) Earnings
- 6) Non- cash
 - a) Net Earnings
 - b) Client (State's) Earnings

Bidder Response to task:

Accepted

- d. Information on earnings and rebates within the funds must be available on-line and standard hard copy reports at various levels of detail beginning at the CUSIP level.

Bidder Response to task:

Accepted

- e. All reports must be provided within ten (10) business days after month-end.

Bidder Response to task:

Accepted

- f. The Securities Lending Contractor must provide a draft of the securities lending disclosure required by GASB for the State's retirement plans and the State.

Bidder Response to task:

Accepted

- g. Reports must be accessible on-line in both a pre-formatted report and a data extract

Bidder Response to task:

Accepted

- h. All reports and data must also be available as a data extract in TXT, CSV, XLS and other standard formats.

Bidder Response to task:

Accepted

2.4 Other Contractors

The Securities Lending Contractor will be responsible for working with the State and other contractors (e.g. Custodian 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:

Accepted



3.0 Performance Measurement Services (Performance Measurement Contractor) Reserved

1.2 Roles and Responsibilities

1.201 Contractor Staff, Roles, and Responsibilities

See sections 1.104.1 (Custodian Contractor), 1.104.2 (Securities Lending 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 (Reserved)

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 June 1, 2006, 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 July 15, 2006 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.

**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:

Issue management is detailed in the attached SAS70 review in Supplemental Appendix B. (Response held in master file in DMB and BOI)

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:

Risk management is detailed in the attached SAS70 review in Supplemental Appendix B. (Response held in master file in DMB and BOI)

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:

Change management is detailed in the attached SAS70 review in Supplemental Appendix B. (Response held in master file in DMB and BOI)

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:

Accepted

1.502 Final Acceptance

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

1.6 Compensation and Payment

See Appendix C and Schedule III to Appendix F attached hereto for terms of Contractor's Fee and the State's securities lending revenue. 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 unless approved by the State and Contractor.

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.

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
Attn: Douglas 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:

Contractor

Credit Suisse, New York Branch
One Madison Avenue, 2nd Floor
New York, NY 10010-3629

Attn: Operations Department
Tel: 212-325-7699
Fax: 212-325-7679

for Legal Notices, with a copy to:

Credit Suisse, New York Branch
One Madison Avenue, 9th Floor
New York, NY 10010-3629

Attn: Louis J. Impellizeri
Vice President
Legal and Compliance Department
Tel: 212-325-4383
Fax: 917- 326-7930

State: See section 2.002.

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 June 1, 2006 through May 31, 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 - Reserved

2.107 Payroll and Basic Records - Reserved

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 - Reserved

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, without the prior written consent of the State (other than pursuant to a consolidation or amalgamation with, or merger into, or transfer of all or substantially all of a party's assets to, another entity, in each case whose financial condition is not materially worse than the financial condition of the transferring party). 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. Notwithstanding the foregoing, Contractor may, without the consent of the State, delegate to another branch or the head office of Contractor or any affiliate of Contractor any or all of the rights and obligations of the New York Branch of Contractor under this Contract, and the New York Branch shall thereupon be relieved of all such transferred obligations under this Contract, provided that such other branch, head office or affiliate shall expressly assume the performance or observance of every obligation on the part of the New York Branch delegated thereto.

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 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 not withstanding 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) months 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 - Reserved****2.502 Reserved****2.503 Reserved****2.504 General Warranties (Goods) - Reserved****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; additionally, the Contractor shall not engage in affiliated business transactions relating to this Contract unless such transactions are on terms no less favorable than could be obtained from unaffiliated third parties on an arm's-length basis.
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 INSUREDS 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, or 2.509, 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 (i) acts of terrorism, fire, flood, earthquake, elements of nature or acts of God, riots, civil disorders, rebellions or revolutions in any country, military disturbances, market disruptions, sabotage, epidemics, riots, interruptions, loss or malfunctions of utilities, transportation, computer (hardware or software) or communications services, labor disputes, acts of civil or military authority, or governmental actions, or inability to obtain labor, material, equipment, services, or transportation; (ii) the failure of the other party to perform its material responsibilities under the Contract (either itself or through another contractor); (iii) 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 (iv) 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, workaround 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, workaround 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.

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 Reserved

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 Extensions

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.

Article 3 – Certifications and Representations

(Certifications and Representations are held in master file in DMB and BOI; additionally, were provided with Credit Suisse's proposal dated July 21, 2005. Credit Suisse will have reasonable access to files.)



**Appendix A – Bureau of Investments
Current Technical Environment and Key Features of Accounting System**

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	
FUND #	FUND NAME / DESCRIPTION	FUND #	FUND NAME / DESCRIPTION
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
Chart of Investment Accounts

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
SMRS									
Government Securities	3,998	705		274		36	357	2,443	888
Corporate Securities	4,129	140		191					
Large Cap-Growth	7,892	107		259					
Large Cap-Value	7,874	88		564					
Delaware SM Cap Growth	144	80							
Putnam SM Cap Growth	69	170							
Credit Suisse Asset Mgmt	41	21		5					
Putnam SM Cap Value	55	250							
Northpointe SM Cap Value	55	115							
Fisher SM Cap Value	55	76							
S & P 500 Index	7,138	507		3					
S & P 400 Midcap Index	954	408		2					
S & P 600 Index	134	6		1					
Eq International Invest	5,554	265		26					
Real Estate Invest	3,844	37		541					
Alternative Invest	5,786	252		100					
Short Term Invest	1,421	58		1,421					
Total SMRS	49,143	3,285		3,387		36	357	2,443	888
Trust & Agencies	496	173						245	13
Legislative Ret System	174	225							
State Lottery Fund	550	91					550		
Michigan Education Tr A	577	52					17	272	28
Michigan Education Tr B	275	37					14	93	3
Mackinac Bridge Auth	24	14		9			4	11	
Total	51,239	3,877	25,000	3,396	1	36	942	3,064	932

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



**Appendix C
Securities Lending Price Proposal**

Pricing Proposal: \$24,048,088 ____

Project Earnings for State of Michigan Annually \$20,440,875 ____

Project Earnings for State of Michigan 5-Year Contract \$117,550,000 ____

It is difficult to predict securities lending earnings out in to the future. Given the volatility of interest rates over time, and the unanticipated shifts in client investment structures, lending income can vary widely. Assuming a similar economic environment as today, as well as no change in the State's asset allocation or style, Credit Suisse would anticipate lending income to increase approximately seven percent per year based on growth in the State's assets. However, if the State were to change its asset mix, style, country allocations, or see a considerable increase or decrease in assets, this revenue projection could change drastically. Also, if there are major changes in the economy that cause the Fed Funds rate to become volatile, or to change frequently, this too would alter the State's income.

A. Administration:

1. The pricing proposal is the expected earnings on the State of Michigan (SOM) total accounts (See Appendices A2 and B).
2. Exceptions
Accounts that are non-participant in the securities lending:
 - Legislative Retirement System
 - Michigan Education Trust A
 - Michigan Education Trust B
 - Mackinac Bridge Authority
3. SOM total investment currently in custody will be provided on request.

B. The Projected Earnings:

1. The projected earnings should be reported by investment strategy or portfolio (account).

Please find Credit Suisse's proposal under Supplemental Appendix P.

2. Display the projected earnings details.
 - a. Average lendable assets
 - b. Average on loan
 - c. Gross rebates
 - d. Gross earnings
 - e. Net earnings to SOM (indicate the SOM percentages)
 - f. Percent on loan
 - g. Average rebate rate
 - h. Average reinvestment rate
 - i. Gross spread
 - j. Net spread

Please find Credit Suisse's proposal under Supplemental Appendix P.



3. The investment pool(s) for cash collateral
 - a. Average credit rating

The average credit rating across Credit Suisse's lending program is AA.

- b. Average maturity

Average maturity across all cash collateral pools has been consistent over the last few years and in a tight range between 25 to 30 days. Over the last year duration management has been a key to our success in maintaining reinvestment spreads above the fed funds rate in a rising rate environment. However, at the appropriate time and only after a thorough review of economic conditions, the money market curve and breakeven analysis will we look to extend duration. This opportunity is going to present itself by the fourth quarter of 2005. See below for our market strategy for June 2005.

Investment Strategy, June 2005

After almost one full year of Fed tightening and a Fed Funds rate, which has moved from 1% to 3.25%, it appears that the U.S. economy has finally begun to slow down. The recent set of economic data listed above highlights the current state of the economy but, more importantly, prospects for future growth looks to be questionable. As previously mentioned, our investment strategy since May of last year was to create more liquidity and reduce duration across all our cash collateral pools in an effort to prepare for rate hikes. Since then our duration management program has served us well and, as a result, investment returns have preformed exceptionally well in a rising rate environment. Going forward, we believe that the fed may indeed be close to finished and that extending duration for our cash collateral accounts in the second half of the year will be a priority for us.

- c. Types of investments

Fixed Income Securities include:

- Tri- Party Repurchase Agreements collateralized at 102% by debt obligations of the U.S Government or its agencies. Tri- Party Repurchase Agreements collateralized at 105% by A3/A-//A- or higher rated corporate debt or AAA asset- backed securities or commercial paper with a minimum A1/P1/F1 rating.
- Money market instruments, including obligations of the U.S. Government and its agencies and commercial paper, bank time deposits, certificates of deposit and banker's acceptances.
- Notes, bonds and debentures issued by the U.S. Government and its agencies, US corporations, supranational.
- Asset- backed securities, which are rated AAA and are senior in class structure whose underlying loans or receivables are against automobiles, credit cards, student loans or equipment leases.
- All fixed rated securities are subject to maturity restrictions based on client guidelines.
- All floating rate securities are subject average life and final maturities based on client guidelines.

- d. Average earnings for the latest.
 - 1) Quarter
 - 2) One-year annualized
 - 3) Three-year annualized
 - 4) Five-year annualized

Please find Credit Suisse's securities lending investment returns above Fed Funds under Supplemental Appendix M.

- e. Provide a copy of the latest audited financial statement

Please find Credit Suisse's last three years of SAS 70's under Supplemental Appendix B.

**C. Fee schedule**

1. See Schedule III to Appendix F attached hereto for terms of Contractor's Fee and the State's securities lending revenue.

2. Investment management fees on the investment fund for the cash collateral.

Credit Suisse does not currently charge any investment management fees when investing cash for securities lending clients.



Appendix D

Information Required from Securities Lending Services Bidder (s)

A. Securities Lending

1. Describe your organization's securities lending program for public pension funds. Include a brief history. Describe the organization and its structure, including the following:

- Number of employees
- Names of key staff and their experience;
- Staff turnover in the last 3 years
- Significant development over the past 3 years
- Client turnover for each of the last 3 years
- Style/strategy of program (matched versus unmatched; philosophy on term loans).

CS's Prime Services Division, which is headquartered in New York, has responsibility for securities lending on a centralized basis for Credit Suisse Group and has been providing securities lending services since 1975. Credit Suisse operates lending programs from its offices in New York, Zurich, London, and Nassau. Credit Suisse began offering agent lending programs in New York in 1999 through Credit Suisse, New York Branch, a U.S. bank that was established in 1940. The agent lending program in Zurich commenced in 1991 and Credit Suisse's broker dealer subsidiary, CSFB, began borrowing securities in 1975.

CS's securities lending area has approximately 100 full time employees. Please see below for list of our key staff.

Name	Title	Years of Experience
Phil Vasan	Managing Director, Global Head of Prime Services, New York	21
Jack McNally	Managing Director, Global Head of Managed Lending, Zurich	18
John McAvoy	Managing Director, Global Head of Coverage, New York	20
Dwight Skerritt	Director, U.S. Head of Institutional Coverage, New York	19
Tim Donovan	Director, CIO Cash Reinvestment, New York	24
Mark Bailey	Director, Global Head of Product Management, Zurich	11
Tim Wilson	Director, U.S. Head Managed Lending Credit, New York	16
Ed McCann	Director, Head Trader of Managed Lending, New York	16
Doug Brown	Vice President, Institutional Coverage, New York	11

Please refer to Supplemental Appendix D for a list of Staff Biographies.



Staff Turnover:

Additions			
	Account Representative	Number	Percent
	2005	2	33.00%
	2004	2	20.00%
	2003	1	0.00%
	2002	0	0.00%
Operations			
	2005	0	0.00%
	2004	2	0.00%
	2003	3	5.00%
	2002	0	0.00%
Departures			
	Account Representative		
	2005	0	0.00%
	2004	1	0.00%
	2003	1	0.00%
	2002	0	0.00%
Operations			
	2005	0	0.00%
	2004	2	0.00%
	2003	2	0.00%
	2002	0	0.00%

Over the past three years, Credit Suisse has made two significant enhancements to the agent lending business.

Upgrade to Client Reporting:

CSFB now provides clients with access to its online reporting system, LoanView. In addition to being more flexible than its predecessor, this reporting package captures the key elements of the securities lending and cash collateral reinvestment relationship. Our lending reports are available online, in printable format or exportable to excel, and updated every 5 minutes. Audited reports are available around the fifteenth day of each month. All reinvestment reports are available in .pdf format and updated daily. Custom reports can also be created upon request. Please see the list of available reports below.

Report Name	Frequency	Description
Cash Balance	Daily	Provides real-time cash activity associated with all securities lending transactions.
Earnings Daily Detail	Daily/Monthly	Daily earnings by account, counterpart and loan.
Daily Earnings Summary	Daily/Monthly	Daily earnings by account.
Earnings Summary Month to Date	Daily	Summary month-to-date earnings by account.
Exposure by Fund	Daily	Exposure information on a loan-by-loan basis.
Historical Activity	Daily	New loan, return and re-allocation activity on a historical basis.
Lending Activity	Daily	Current new loan, return and re-allocation activity.
Holdings Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings.
Industry Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings by industry.
Issuer Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings by issuer.
Maturity Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings by maturity.
Yield Analysis	Daily	Reflects yield and rebate information by client.
Contact Detail	N/A	CSFB contact information available on-line.



Commingled Cash Collateral Reinvestment:

In addition to our separate account management, CS has recently launched two Proprietary Non-Registered Funds in the US specifically designed to provide a commingled cash collateral reinvestment vehicle for our US securities lending clients.

CSFB Liquidity Fund

The investment objective of the CSFB Liquidity Fund is to seek maximum current income, consistent with liquidity and preservation of capital. The CSFB Liquidity Fund will comply with all of the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended.

The CSFB Enhanced Liquidity Fund

The investment objective of the CSFB Enhanced Liquidity Fund is to seek higher current income than money market funds while providing relative principal stability and liquidity.

The CSFB Enhanced Liquidity Fund will invest principally in:

U.S. dollar- denominated money market instruments that qualify as “first tier securities”

Repurchase agreements over- collateralized with various securities

Mortgage-backed and asset backed securities

Variable rate and floating rate corporate securities rated “A” or better by at least two nationally recognized statistical rating organizations

Maximum permissible dollar- weighted average maturity is 120 days

Style/Strategy of program

CSFB has built its reputation in third-party securities lending based on its resources, expertise and risk management infrastructure. However, what our clients appreciate most is the level of service demonstrated in our willingness, flexibility and capability to tailor a program to meet specific needs and requirements. CSFB can achieve this through its unique position as a bank and a broker/dealer, combining both agent and principal securities lending programs under one umbrella.

The benefits of one seamless program include superior market color, increased opportunities in emerging markets, a single asset gathering team, and superior global coverage.

Credit Suisse creates securities lending programs that best complement each client’s asset mix, return objectives, risk tolerances and style preferences. This is coupled with a strong commitment to risk management, control, relationship management, and systems to provide our clients with a comprehensive program. Credit Suisse has the capability to run both matched and unmatched programs, as well as to enter in to term loans. Generally, we run a duration mismatch program of less than 40 days, and have the majority of our loans on open terms. Depending on revenue opportunities and the economic environment, Credit Suisse will adjust our duration and term loan activity to maximize income for clients. By adding new markets and security types to our lending program, as well as, by recommending investment guideline changes where appropriate, Credit Suisse looks to extract the most value from the market place for our selected group of clients. To attract this client base, our strategy is to deliver securities lending services through an innovative and flexible application of principal, agent and blended non-custodial structures.

2. What is the dollar size of your organization’s securities lending pool by security type, both domestic and international, average on loan, income and so forth? Please prepare two charts, one for domestic and one for international securities for each of the last three calendar years that includes the following:

- **Security types**
- **Average Lendable Pool in dollars**
- **Average on Loan in dollars**
- **Average Earnings basis points**
- **Client Percentage of Earnings.**



Please find this information under Supplemental Appendix G.

3. On average over the last 3 years what percent of eligible securities were on loan and what was the average spread earning for each of the following asset types:

- Domestic equities
- Government bonds
- Corporate bonds
- International equities
- Mortgage-backed securities
- U.S. agencies?

Please find this information under Supplemental Appendix G.

4. Describe the asset categories and country locations in which your organization lends securities. Identify when your organization started in each category and what factors your organization considers before lending in a particular category. Provide a list of markets and asset categories in which your organization currently performs securities lending functions as of December 31, 2004.

Credit Suisse operates lending programs from its offices in New York, Zurich, London, and Nassau. Credit Suisse began offering agent lending programs in New York in 1999 through Credit Suisse, New York Branch, a U.S. bank that was established in 1940. Since the programs inception in 1999, the NY Branch has lent asset categories including U.S. equities, ADR's, international equities, corporate bonds, mortgages and government bonds.

Given our broad market outreach, CS has implemented a comprehensive process for entering new markets. Our goal is to maximize revenue for our clients with out taking unnecessary market risk. All new market requests must go through a formal approval process through our corporate New Business Department. New markets are identified by the traders and coverage teams and are passed onto the Product Management team. A process of due diligence is commenced using CS's central New Business committee. The New Business Committee draws upon experts from all of the Finance Administration & Operations groups within the Firm. Typically CS will utilize its local presence to provide additional, local knowledge. In addition, it is CS's ability to link the due diligence process for lenders with the demand side of the trade that creates a differentiating factor.

Additionally, CS will, engage local legal council for advice. Only when all areas of the Firm have approved the new business activity does lending commence. It is then subject to a formal review of the activity after 3 months before being allowed to continue. Once fully signed off, the activity is then subject to continual monitoring and control by CS's compliance units and legal teams.

We have included a list of the markets in which we lend and the amount of time we've been in these markets under Supplemental Appendix H.

5. Does the increased probability of settlement problems in certain markets enter into your organization's decision to lend securities in those markets? Comment on failed trades, the expected frequency, how they are handled and any trade settlement protection or compensation that your organization provides, including your organization's policy and procedures with respect to buy-ins.

Credit Suisse does not lend in any markets in which settlement problems are a consistent problem. Securities lending was created to increase liquidity in the markets. We expect failed trades to occur on less than 1% of your recalled assets. This business takes place in developed and efficient markets.

Each client or designated manager has the responsibility of notifying CSFB of sales on a trade date basis. Once the sale notification is received, our middle office will first look to reallocate the security. In the event that there is no opportunity to substitute the position or locate the security, a recall is issued to the borrowing counterpart. The borrowing counterpart has the standard settlement cycle of the particular issue to return the loaned security. If the borrower fails to return the loaned security by the end of the standard settlement cycle, the rate is reduced to zero. All revenue earned after a borrower is in default is paid to a client at 100%.



CSFB no longer takes its share of the fee split. These failed loan proceeds are segregated and used to offset any fail cost charged by your custodian. Many lenders continue to take their portion of the fee split in this instance.

If the loan continues to fail a buy-in may occur. The procedure is then discussed with the client, who will then make the decision to buy-in the security. Typically, we work with clients and their investment managers to coordinate the rare instance where a buy-in needs to be completed. The timing on whether to do a buy in or not is handled on a case by case basis. First, we need to analyze how confident we are that the borrower will return the shares in a short time frame. Secondly, we need to determine if the security is liquid enough to perform a buy-in. Thirdly, we look to get input from our clients, or their investment managers on their preferred action.

6. Please describe your organization's collateralization policy for both domestic and international. What forms of collateral does your organization accept? If cash, how is it invested and what is the investment criteria?

CSFB's agent lending program incurs all responsibility to perform the daily mark to market process. The custodian is only responsible for coordinating one daily net wire, which will include the net of all daily mark values.

U.S. loans are collateralized at 102% of market value including accrued income of the loaned securities. The international loan collateralization on a counterparty basis is 105%. Credit Suisse's securities lending middle office monitors, both the 102% and the 105% margin levels and performs the mark to market on a daily basis.

For Loanet-eligible securities, Loanet automatically marks all items that show an exposure and instructs DTC to move the appropriate funds accordingly.

For government securities, our operations team reviews the marks report. When there is a margin shortfall, any item that has a price movement greater than 1/8th of a basis point or a net mark amount greater than \$50,000 is marked.

Domestic and International Equities, Corporate Bonds, U.S. Treasuries and Agencies mark to market transactions are made on a net basis per borrower directly between Credit Suisse and the borrowers based on the previous days closing price. Credit Suisse would instruct the custodian on behalf of the State of Michigan with one net wire for all marks and rebates, reducing operational expenses.

The most frequently used collateral types for U.S. based pension clients are U.S. dollar cash, U.S. Treasuries and Agencies, sovereign debt, non U.S. cash, and letters of credit. Credit Suisse can accept all of these collateral types for the State of Michigan, however, cash is generally the borrowers preference. Our requirements conform with regulatory and client guidelines. However, given our global presence, Credit Suisse has a broader and more flexible program offering than many of our competitors. This results in greater revenue opportunities for our clients.

Collateral is posted in an account for the State of Michigan at the custodian. All cash collateral is used to purchase money market type investments. The investment return is used to pay rebates to the borrowers, and the income that is split between the client and Credit Suisse. The State of Michigan can either, choose its own investment criteria, and have its cash managed in a separate account, or the cash can be invested in one of Credit Suisse's commingled portfolio's. Given the size of the State's program, and the guidelines in current use, Credit Suisse feels the State of Michigan would see better performance in a separate portfolio.

Credit Suisse has attached the guidelines for two sample separately managed portfolios and a commingled portfolio under Supplemental Appendix I.

7. How is the loan determined when several clients own the same security? How are loans pro rated from the various client accounts?

CS's philosophy has always been focused on managing customized securities lending programs for each individual client. This approach has contributed to the strong historical results CS has produced on behalf of its clients. As lending agent and fiduciary for its clients, CS recognizes its role in fair distribution of loans among all clients. However, the complexity involved in producing high quality returns cannot be achieved solely by utilizing automated loan "queuing" technology. Rather, CS insures fair allocation of loan opportunities across all clients by managing each program to its given projection. Performance reviews are conducted weekly to ensure that each client's program is properly positioned with respect to market opportunities and conditions. In the CS program, a queue is not necessary for the US Government market, since close to 100% of these securities are normally on loan if the clients investment guidelines are flexible enough to provide the return needed to support the loans. Also, the international equity market continues to be heavily driven by dividend enhancement trades, which result in close to 100% of these securities being on loan in our program during this season.



Other special US and non-US equities are on loan at 100% and therefore all clients participate in these opportunities equally. Fair allocations come in to play when lending general collateral US equities and corporate bonds. Given our focus on adding strategic clients, we have had great success in producing higher levels of return than our competitors because our program is not over supplied with general collateral assets. CS's program continues to have greater demand for these securities than current supply. In this instance CS does implement a queue system to ensure fair and equitable treatment.

SunGuard's Global One Allocation Methodology:

Credits represent the ability of each fund to fulfill the current outstanding loans (i.e. a fund is credited if it could have taken part in a loan but was not selected to do so). Credit allocation takes into account all outstanding loans, except those flagged as Special Loans. For each outstanding trade, the funds from which it was allocated are identified and for each of these funds, the current priority level of the pool to which it belongs is noted. For all other funds holding that security with the same priority level, the quantity allowed to lend is calculated as follows:

Holdings minus buffer stock and other restrictions minus special loans allocated to this fund. The quantity of any pending or current loans for the fund is ignored and is not deducted from quantity calculated (securities for the funds with counterparty restrictions are excluded from this calculation).

When the total quantity allowed to lend has been calculated for each qualifying fund, these amounts are totaled across all of the relevant funds. Each fund's quantity allowed to lend is then calculated as a percentage of the total quantity allowed to lend. The loan quantity is then multiplied by this percentage to calculate the fund's entitlement. Quantity of the loan allocated to this fund minus entitlement provides the value of credits to be allocated to the fund. This will result in positive credits being allocated to funds that shared in the loan and negative credits being allocated to all others.

Finally, the credit figure is multiplied by loan value; the resultant credit value is then added to the current credit total held per fund by country and class. The credit queue is ordered by credit value, starting with the highest negative credits first, down to the highest positive credits last within each priority level.

CSFB is subject to regulation and supervision by the SEC as a Registered Investment Advisor and a broker dealer. CSFB is also subject to supervision by the NASD the Federal Reserve and the MSRB. The Firm is audited periodically by the SEC and has never received an audit exception relative to the fairness of its loan allocation process.

8. Please describe in detail your organization's client indemnification policy. Under what circumstance(s) can the client experience a financial loss? Does your organization indemnify against counterparty losses? If your client(s) have experienced a loss, provide an explanation of the loss, loss mitigation efforts and the magnitude of the loss for each of the past three years. [See section 2.305.]

Credit Suisse will provide borrower indemnification to the State of Michigan. Credit Suisse also has other insurance plans as designated below to eliminate risks to clients. No clients have experienced a loss in the Credit Suisse securities lending program.

There are situations where clients have experienced losses in other programs. When a reinvestment portfolio does not reset quickly enough after the Federal Reserve raises interest rates, there is risk that the rebates the client pays the borrowers will now be greater than the yield produced by the investments. This would result in the client experiencing a financial loss. Losses could also occur if portfolio durations were to short and the Federal Reserve was lowering rates. Credit Suisse's historical portfolio durations have been less than 40 days. Since the Federal Reserve meets approximately every 40 days, our portfolios consistently move as interest rates move decreasing this risk. Another potential risk is issuer default. If an investment defaults in the investment portfolio, a financial loss could occur if the default causes the NAV of the portfolio to fall below par. These situations comprise the circumstances where a client could experience a financial loss. Listed below are ways we mitigate risks for our clients. Credit Suisse has never had a client that has experienced a financial loss.



Borrower Risk

As provided in the Master Securities Lending Agreement between CS and each borrower, upon the occurrence of a borrower event of default that results in the borrower's inability to perform or meet its financial obligations, CS, on behalf of the lender, has the right to purchase a like amount of replacement securities and apply the collateral and any proceeds against the payment of the replacement securities. In the event that there is a shortfall in the collateral securing the loaned securities CS will make up the collateral shortfall at its own expense

For example, if a loaned security has a price of \$100 at the time of a borrower event of insolvency and the collateral held is \$98 per share, CSFB will pay the shortfall of \$2 per share. CS will also coordinate the purchase of the replacement securities. There is no additional cost for this coverage since it is an integral part of our service.

This indemnification is backed by the financial strength of CS Group, which is rated A1/A+ (S&P), P1/Aa3 (Moody's), and F1+/AA- (Fitch).

The borrower indemnification provided by CS includes loans made to CSFB LLC ("LLC"), our U.S. registered broker dealer.

Contractual Language:

BORROWER DEFAULT; GUARANTY BY MANAGER.

If an Approved Borrower fails to return any Loaned Securities when due in accordance with the terms of the applicable Securities Borrowing Agreement (the "Return Date") due to (i) a Default (as such term is defined in the applicable Securities Borrowing Agreement) of the Approved Borrower as set forth in Section 11.5 (if the applicable Securities Borrowing Agreement is the 1993 version of the Bond Market Association's Master Securities Loan Agreement) or Section 12.5 (if the applicable Securities Borrowing Agreement is the 2000 version of the Bond Market Association's Master Securities Loan Agreement) of the applicable Securities Borrowing Agreement, or (ii) an Event of Default (as such term is defined in the applicable Securities Borrowing Agreement) of the Approved Borrower as set forth in Clause 12(D) (if the applicable Securities Borrowing Agreement is the 1995 version of the International Securities Lending Association's Overseas Securities Lender's Agreement) or Paragraph 14.1 (if the applicable Securities Borrowing Agreement is the 2000 version of the International Securities Lending Association's Global Master Securities Lending Agreement) of the applicable Securities Borrowing Agreement, then Manager shall pay to Lender an amount equal to (x) the Market Value of such Loaned Securities as of the Return Date minus (y) the sum of the Collateral Value related to such Loaned Securities, each as of the date determined by Manager in its discretion.

Upon and to the extent of performance by Manager under Section 6(a) hereof, Manager shall be subrogated to all rights of Lender against the applicable Approved Borrower and Lender shall assign and be deemed to have assigned to Manager, all of such Lender's rights in, to and against such Approved Borrower in respect of the related Loan. In addition, in the event that Lender receives or is credited with any payment in cash or in-kind from or on behalf of the Approved Borrower in respect of rights to which Manager is subrogated as provided herein, Lender shall promptly remit or pay to Manager the same (or, where applicable, its United States Dollar equivalent). To the extent that any rights or interests to which Manager is subrogated, or which are assigned to Manager, in accordance with this paragraph (b) are reduced or impaired in respect of rights of setoff or defenses relating to Lender, Lender will make appropriate reimbursement to Manager as reasonably determined in good faith by Manager.

Any indemnities provided under Section 6(a) with respect to Loans where any entity that directly, or indirectly through one or more intermediaries, controls Credit Suisse First Boston or that is controlled by or is under common control with Credit Suisse First Boston is the Approved Borrower shall be deemed to be issued by Credit Suisse First Boston acting through its head office in Zurich, Switzerland.

WITHOUT LIMITING THE PROVISIONS OF THIS SECTION 6 OR WAIVER OF ANY RIGHTS GIVEN TO LENDER UNDER ANY SECURITIES BORROWING AGREEMENT, IT IS UNDERSTOOD AND AGREED THAT THE PROVISIONS OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 MAY NOT PROTECT LENDER WITH RESPECT TO LOANED SECURITIES AND THAT, THEREFORE, THE LOAN COLLATERAL MAY CONSTITUTE THE ONLY SOURCE OF SATISFACTION OF AN APPROVED BORROWER'S OBLIGATIONS IN THE EVENT SUCH APPROVED BORROWER FAILS TO RETURN THE LOANED SECURITIES.



CSFB's indemnification covers all scenarios of borrower default. In addition to this indemnification, CSFB utilizes the following procedures to mitigate associated lending risks.

Borrower Credit Review Process

The Credit Risk Management Group (CRM) of CS manages credit and risk management activities for CSFB. CRM has no reporting responsibility to the securities lending department to ensure unbiased decision making, and separation of duties. CRM's senior credit officers are aligned with each of CS's major businesses to ensure that the unique nature and inherent risks of the securities lending business are addressed properly. Counterparties are evaluated and rated on an on-going basis by CRM staff. Approval authorities are granted relative to staff experience, rating of the counterparty, and size and tenor of the transaction.

CRM's on-going credit analysis includes: formal annual credit reviews based on at least three years of financial results, quarterly review of financial statements, frequent contact with the company's senior management, and frequent on-line scanning of financial and other news stories pertaining to counterparties. CRM monitors events daily which may affect the credit rating of any counterparty and takes appropriate action when warranted.

CRM's credit process is audited by the Federal Reserve, Securities Exchange Commission, New York Stock Exchange, and Swiss banking authorities for regulatory purposes. Additionally, internal audits and self-assessment exercises are performed.

Reinvestment Risk

CSFB's collateral management approach is most importantly focused on preservation of principal, adequate liquidity, and lastly maximizing yield. CS's cash collateral compliance system is a rule-based compliance platform. Each client's guidelines can be hard-coded into the system to prevent the booking of an investment that does not meet client guidelines. Collateral restrictions include approved investments, concentration limitations, credit restrictions, maturity limitations. Issuer limits, sector restrictions, duration limits, average credit quality by sector, or by fund.

CS continuously reviews compliance with each lender's investment guidelines. Our cash management compliance system provides detailed reports relative to holdings, concentrations, WAM, gap and all other relevant measures of risk.

Operational Risks

Management Oversight

The Management Oversight Committee of CS also reviews the lending group's activities on a monthly basis. This committee reviews borrower credit lines, new products, cash collateral investments, risk controls and procedures and has the power to order the discontinuance of any practice that does not meet with the approval of that Committee.

An independent department conducts the internal audits. The audit team is also available to conduct diagnostic audits in advance of the adoption of new products or procedures to ensure that such procedures are appropriate and within bank regulatory guidelines. CS is also subject to audit review by the Federal Reserve Bank, the SEC and the Swiss banking authorities. CS's external auditor performs an annual SAS 70 review of our securities lending business, which is included in Supplemental Appendix B.

Due Diligence

Prior to entering any new market we also conduct extensive legal and operational due diligence to ensure that the local market has adequate safeguards and settlements procedures which would permit securities lending to take place without incurring inappropriate risk and financial obligations.

Documentation

CSFB has various methods for safeguarding assets that may be the subject of a loan. Our contract with our borrowers is an extensively modified version of the PSA standard agreement. The modifications provide additional lender safeguards not contained in the standard form of contract.



Loan Collateralization

Consistent with market practice CS initially collateralizes all U.S. securities at 102% and all non-U.S. securities at 105%. Our fixed income collateral equation is: [(market value + accrued interest) * 102]. Therefore, CS takes margin on the accrued interest component of the security.

To ensure maximum protection of client assets, the exchange with the borrower of securities for collateral is done either simultaneously or after CS has received the appropriate collateral.

Mark To Market

CS's dedicated Securities Lending Middle Office determines whether there are any margin shortfalls for each loan outstanding based on the mark-to-market performed each morning. When the margin threshold is exceeded, a margin call is made. Our Middle Office is responsible for contacting the borrowers and requesting delivery of additional collateral. Our Middle Office is also responsible for returning excess collateral when requested by the borrower.

For Loanet-eligible securities Loanet automatically marks all items that show an exposure and instructs DTC to move the appropriate funds accordingly.

For government securities, our operations team reviews the marks report. When there is a margin shortfall, any item that has a price movement greater than 1/8th of a basis point or a net mark amount greater than \$50,000 USD will be marked.

For international securities, our operations team reviews each day's mark reports. When there is a margin shortfall, any item that has a price movement of \$.05 USD will be marked.

Insurance: CS maintains insurance coverage against many securities lending liabilities.

Errors and Omissions: Kessler & Co. Inc., will, upon request, provide proof of policy with respect to the adequacy of insurance policies in place to protect CS's liabilities arising from indemnities, such as errors, omissions and fraudulent acts. This proof of policy also confirms that the terms and conditions of the insurance programs correspond to the risk to which CS is exposed.

Other insurance coverage includes: facilities, business interruption, banks blanket bond (employee theft), computer crime, securities loss and professional liability insurance. Coverage is provided by insurance companies, which CS believes to be financially sound. Coverage is maintained at levels, which CS considers reasonable given the size and scope of its operations. Please refer to Supplemental Appendix C for a table outlining other insurance policies.

9. Has your organization ever experienced a counterparty default? If yes, please explain.

Credit Suisse has never experienced a counterparty default.

10. Please describe your organization's method for selecting brokers to whom your organization will lend securities. Provide a list of your organization's current borrowers and the year your organization began lending securities to them.

CS conducts extensive reviews of the borrowers in our lending program. We view borrower exposure as our risk due to the indemnity we provide to our clients.

The Credit Risk Management Group (CRM) of CS manages credit and risk management activities for the Firm. This business group has no reporting responsibility to securities lending, therefore ensuring unbiased recommendations. It is responsible for approving counterparty exposure relative to all of the Firm's business lines globally. CRM's senior credit officers are aligned with each of CS's major businesses. This approach assures that the unique nature and inherent risks of the securities lending business are addressed properly. Counterparties are evaluated and rated on an on-going basis by CRM staff. Approval authorities are granted relative to staff credit risk experience, rating of the counterparty, and size and tenor of the transaction.

The CRM's on-going credit analysis includes: formal annual credit reviews based on at least three years of financial results; quarterly review of financial statements; frequent contact with the company's senior management; and frequent on-line scanning of financial and other news stories pertaining to counterparties. The CRM monitors events daily, which may affect the credit rating of any counterparty and takes appropriate action when warranted.



A list of our approved borrowers is under Supplemental Appendix J.

11. Describe your organization's initial and ongoing credit analysis program. How is credit monitored and what actions are taken after credit downgrades? How many brokers are authorized to borrow in your organization's program? Please provide a list of your organization's current borrowers, including their borrowing and lending limits. In addition, describe your organization's credit review process, including how often the names are reviewed. How are dealer, bank, or other lending limits determined and who makes those decisions?

The Credit Risk Management Group (CRM) of CS manages credit and risk management activities for the Firm. This business group has no reporting responsibility to securities lending, therefore ensuring unbiased recommendations. It is responsible for approving counterparty exposure relative to all of the Firm's business lines globally. CRM's senior credit officers are aligned with each of CS's major businesses. This approach assures that the unique nature and inherent risks of the securities lending business are addressed properly. Counterparties are evaluated and rated on an on-going basis by CRM staff. Approval authorities are granted relative to staff credit risk experience, rating of the counterparty, and size and tenor of the transaction.

The CRM's on-going credit analysis includes: formal annual credit reviews based on at least three years of financial results; quarterly review of financial statements; frequent contact with the company's senior management; and frequent on-line scanning of financial and other news stories pertaining to counterparties. The CRM monitors events daily, which may affect the credit rating of any counterparty and takes appropriate action when warranted.

Regarding credit downgrades, if CRM determines a current borrower is not credible, all loans on with the borrower are recalled and allocated elsewhere. Currently 49 borrowers are eligible to participate in CS's lending program, 36 of them active. The top ten borrowers below represent 87% of outstanding balances. Credit Suisse is unable to provide the actual credit limits assigned to each borrower due to privacy rights with these entities.

ABN Amro Inc	Credit Suisse First Boston LLC	Lehman Brothers Inc
Bank of America Securities	Deutsche Bank Securities Inc	Morgan Stanley
BNP Paribas Securities Corp	Goldman Sachs & Co	UBS Securities
Citigroup Global Markets Corp		

Please refer to Supplemental Appendix J for a full list of eligible borrowers.

12. Describe your organization's policy when a sale fails because a security was out on loan.

Each client or designated manager has the responsibility of notifying CS of sales on a trade date basis. Once the sale notification is received, our middle office will first look to reallocate the security. In the event that there is no opportunity to substitute the position or locate the security, a recall is issued to the borrowing counterpart. The borrowing counterpart has the standard settlement cycle of the particular issue to return the loaned security. If the borrower fails to return the loaned security by the end of the standard settlement cycle, the rate is reduced to zero. All revenue earned after a borrower is in default is paid to a client at 100%. CS no longer takes its share of the fee split. These failed loan proceeds are segregated and used to offset any fail cost charged by your custodian. Many lenders continue to take their portion of the fee split in this instance.

If the loan continues to fail a buy-in may occur. The procedure is then discussed with the client, who will then make the decision to buy-in the security. Typically, we work with clients and their investment managers to coordinate the rare instance where a buy-in needs to be completed. The timing on whether to do a buy in or not is handled on a case by case basis. First, we need to analyze how confident we are that the borrower will return the shares in a short time frame. Secondly, we need to determine if the security is liquid enough to perform a buy-in. Thirdly, we look to get input from our clients, or their investment managers on their preferred action.



13. Explain the mark to market process as it relates to your organization's lending operation. If there is a collateral shortfall, how soon will additional collateral be obtained? Describe the monitoring procedures in place for ensuring the appropriate collateral levels are maintained.

CS's agent lending program incurs all responsibility to perform the daily mark to market process. The custodian is only responsible for coordinating one daily net wire, which will include the net of all daily mark values.

U.S. loans are collateralized at 102% of market value including accrued income of the loaned securities. The international loan collateralization on a counterparty basis is 105%. Credit Suisse's securities lending middle office monitors, both the 102% and the 105% margin levels and performs the mark to market on a daily basis.

For Loanet-eligible securities, Loanet automatically marks all items that show an exposure and instructs DTC to move the appropriate funds accordingly.

For government securities, our operations team reviews the marks report. When there is a margin shortfall, any item that has a price movement greater than 1/8th of a basis point or a net mark amount greater than \$50,000 is marked.

Domestic and International Equities, Corporate Bonds, U.S. Treasuries and Agencies mark to market transactions are made on a net basis per borrower directly between Credit Suisse and the borrowers based on the previous days closing price. Credit Suisse would instruct the custodian on behalf of the State of Michigan with one net wire for all marks and rebates, reducing operational expenses.

14. When is securities lending income credited to clients?

Client income is generally paid out on or before the 10th business day.

15. Discuss your organization's accounting for the loan and the collateral. Is your organization able to provide the State with the disclosure required by GASB 28 for the state, the retirement plans, other agencies or funds participating in the securities lending program. Provide a sample disclosure.

Advent's Geneva System, a global portfolio accounting system, is used to maintain books and records for reinvestment activities. Geneva supports a broad range of investments and various transaction types and provides automatic calculation of interest accrual and amortization of fixed income investments. Geneva maintains a knowledge-based database that allows users to retrieve information for reporting purposes.

In addition, CSFB uses a number of services provided by third-party vendors such as DTC, FRB, and Loanet. Automatic feeds from these vendors are used in supporting the Agent Program. Examples of these services include:

Loanet Contract Compare – identifies differences at a contracts level with counterparties. Each participant sends a file of outstanding contracts to Loanet. Loanet performs a comparison and generates a file or report indicating exceptions.

Loanet Automated Mark – compares contracts to new money, sends the new values back to each participating firm for updating, and sends summary marks to DTC on behalf of participants.

Global One provides modules for interfacing with third-party vendors. Other supporting application software includes:

Global Asset Servicing Production and Corporate Action Projection Systems, used in tracking and monitoring corporate actions. The system is used by Credit Suisse Group to support its global securities related business.

Loan View, Internet-based reporting software, developed in-house, provides clients, client custodians and counterparties the ability to review on-line the results of their securities lending transactions processing. Loan View retrieves the information from Global One and Geneva for reporting purpose.

As a lender for many public pension fund clients, CS is fully capable of providing the State of Michigan with the disclosure required by GASB 28. Disclosure requirements are flexible and can be customized to the specific specifications of the State of Michigan. Please refer to Supplemental Appendix K for a sample of what we currently provide for one of our clients.



16. Describe your organization's securities lending reporting capabilities. Provide a sample of your organization's standard daily, monthly, quarterly, and annual reports. Are these reports also available electronically? Are these available by fund (described in Sections 1.104 and, 2.3 of this ITB)?

CS currently provides clients with access to its online reporting system, LoanView. This reporting package captures the key elements of the securities lending and cash collateral reinvestment relationship. Our lending reports are currently available online, in printable format or exportable to excel, and updated every 5 minutes. Audited reports are available around the fifteenth day of each month. All reinvestment reports are available in .pdf format and updated daily. In addition, any reports not captured in our current reporting module will be customized for the State of Michigan.

Report Name	Frequency	Description
Cash Balance	Daily	Provides real-time cash activity associated with all securities lending transactions.
Earnings Daily Detail	Daily/Monthly	Daily earnings by account, counterpart and loan.
Daily Earnings Summary	Daily/Monthly	Daily earnings by account.
Earnings Summary Month to Date	Daily	Summary month-to-date earnings by account.
Exposure by Fund	Daily	Exposure information on a loan-by-loan basis.
Historical Activity	Daily	New loan, return and re-allocation activity on a historical basis.
Lending Activity	Daily	Current new loan, return and re-allocation activity.
Holdings Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings.
Industry Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings by industry.
Issuer Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings by issuer.
Maturity Breakdown	Daily/Month End	Reinvestment report reflecting the portfolio holdings by maturity.
Yield Analysis	Daily	Reflects yield and rebate information by client.
Contact Detail	N/A	CSFB contact information available on-line.

Please refer to Supplemental Appendix L for a sample of CS's reporting package.

17. Describe initial and ongoing credit analysis for assets purchased with cash collateral. How are credit limits set? Where do these credit analysts reside within your organizational structure and to whom do they report?

The Credit Risk Management Group (CRM) of CS manages credit and risk management activities for the Firm. This business group has no reporting responsibility to securities lending, therefore ensuring unbiased recommendations. It is responsible for approving counterparty exposure relative to all of the Firm's business lines globally. CRM's senior credit officers are aligned with each of CS's major businesses. This approach assures that the unique nature and inherent risks of the securities lending business are addressed properly. Counterparties are evaluated and rated on an on-going basis by CRM staff. Approval authorities are granted relative to staff credit risk experience, rating of the counterparty, and size and tenor of the transaction.

The CRM's on-going credit analysis includes: formal annual credit reviews based on at least three years of financial results; quarterly review of financial statements; frequent contact with the company's senior management; and frequent on-line scanning of financial and other news stories pertaining to counterparties. The CRM monitors events daily, which may affect the credit rating of any counterparty and takes appropriate action when warranted.



18. Describe and provide detailed information on cash collateral reinvestment options for the following:

**Separately managed accounts
Commingled funds.**

Credit Suisse offer clients the flexibility of setting their own guidelines and having the cash managed in a separate account, or of investing in one of our commingled portfolios.

Separate account management allows us to create an investment portfolio that exactly meets the State of Michigan's reinvestment guidelines. It can create a more strategic and efficient investment strategy and is not hindered by other pool participants and their restrictions. Due to the increased flexibility, our managers are able to better manage duration and thus not lag the Fed Fund rate in this current rising rate environment. Credit Suisse currently lends for other large public pension plans, and generally manages their portfolios in a separate account structure. We have provided a sample of two of these plans investment guidelines and their performance over the last five years to give Michigan confidence in our proposal. This information is under Supplemental Appendix M. If you have further questions around these separately managed portfolios we would enjoy speaking with you.

Commingled funds offer many benefits to clients as well. Given that there are other investors in the fund, if you transition assets and need to pull loans back, we generally do not need to worry about liquidity since we can replace your loans with other participants. Therefore, a commingled fund will need to maintain less liquidity and should have less volatility in cash flows. These aspects vary from client to client given that some clients hire and fire managers so infrequently that there is no need to be concerned about pulling back large loan amounts, and thus a more flexible separate account will generate higher returns.

Credit Suisse's investment philosophy is based upon the following tenets. In order of priority they are:

Principal Preservation

Adequate liquidity

Attractive Yield

Our separate account management begins with a clear understanding of the client's objectives and parameters. Once investment guidelines are formalized (either Credit Suisse's or the client's are permissible) then a portfolio strategy is designed to produce reinvestment returns consistent with established parameters. The primary elements of the portfolio strategy are:

Interest Rate Outlook - Derived after consideration of the economic climate as well as fiscal and monetary policy.

Yield Curve Analysis - Used to determine optimal weighting of investment in the maturity areas approved by the client.

Security Selection - Used to minimize risks and identify sectors that offer opportunities.

Trade Execution - Achieved by thoroughly shopping the markets, using market intelligence and a broad network of salespersons.

In addition, Credit Suisse has recently launched two Proprietary Non-Registered Funds in the US specifically designed to provide a commingled cash collateral reinvestment vehicle for our US securities lending clients.

CSFB Liquidity Fund

The investment objective of the Credit Suisse Liquidity Fund is to seek maximum current income, consistent with liquidity and preservation of capital. The Credit Suisse Liquidity Fund will comply with all of the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended.



The CSFB Enhanced Liquidity Fund

The investment objective of the Credit Suisse Enhanced Liquidity Fund is to seek higher current income than money market funds while providing relative principal stability and liquidity.

The CSFB Enhanced Liquidity Fund will invest principally in:

U.S. dollar- denominated money market instruments that qualify as “first tier securities”

Repurchase agreements over- collateralized with various securities

Mortgage-backed and asset backed securities

Variable rate and floating rate corporate securities rated “A” or better by at least two nationally recognized statistical rating organizations

Maximum permissible dollar- weighted average maturity is 120 days

19. Discuss the process of marking to market the reinvestment portfolio. How often is this performed? What pricing sources are utilized? How does your organization price securities that do not have readily available price?

Currently all of Credit Suisse’s clients have their reinvestment portfolios priced monthly. Credit Suisse has the capability to price client portfolios more frequently depending on the client’s preference. In addition, securities with more price volatility are monitored by the portfolio managers, at least weekly. Credit Suisse has never experienced a default by an issuer in its securities lending program. When pricing the portfolios, data is loaded in to our accounting system, called Geneva. We receive most of our prices from our vendor feeds, which are IDSI, Bloomberg, Muller Data, and Bridge. Securities that we do not receive prices on from a vendor are then sent out to the street for pricing for indicative bids to determine fair market value.

20. Discuss your firm’s risk management tools/systems related to securities lending. Please provide sample reports/outputs of your system.

The securities lending group has its own set of risk management controls and procedures that it uses in conjunction with our securities lending systems to ensure operational efficiency and risk management. These include:

- SAS 70 (Type I and II) performed by KPMG on yearly basis. A copy of the review is in Supplemental Appendix B.
- Every procedure is documented and maintained in writing in our Compliance Manual. Our procedures provide through documentation on loan activity, collateral levels and income.
- Prior to the commencement of any lending program, our relationship and operations managers work with the client and custodian to agree to standard Operating Procedures. This document delineates roles and responsibilities of the parties and is an agreement detailing the daily flows of information and securities..
- Securities that are available for loan are broadcast from the lender’s custodian to CS via secure links to which only the custodian and CS’s Operations Manager and Information Technology technicians have access.
- CS employs a systematic third party clearing and settlement process designed to reduce operational and settlement risk, minimize processing costs, and complement revenue generating capabilities of the program.
- The program is easy to support since it requires minimal involvement for the custodian. It is therefore readily transportable in the event the client changes custodians.
- All International Equities are centrally cleared through CSFB Zurich providing control and oversight. The central clearing group leverages our operations staff in local offices around the globe to provide timely information on recent market developments.



- Regular compliance checks are conducted on our systems by independent compliance officers to ensure that program requirements set forth in our Compliance Manual are adhered to and to ensure that client driven parameters are being properly followed.

Any discrepancies are reported to the Management Oversight Committee and prompt action to correct any non-complying loan or activity must be taken. Cash collateral investments are reviewed daily with respect to compliance with the lender's investment guidelines.

Division of Task & Responsibilities

We maintain appropriate divisions of tasks and responsibilities to ensure our ability to control and cross check each function. Our systems enforce the separation of responsibility by restricting access, via an ID-driven system, to an approved list of staff. For example:

- Traders are responsible for all aspects of lending the securities, but do not settle trades.
- Our middle office is empowered to coordinate the settlement process with borrowers and the custodian with respect to receipt and delivery of securities and collateral, but is not allowed to negotiate loans. The mid office also verifies the settlement of trades and collateral, providing an additional level of verification to the activities of the back office.
- Our back office is devoted solely to the settlement process.
- Operations and mid-office staff are the only ones who can access/change any client-defined parameters (excluding credit limits) after receiving written instructions from the client.
- Credit limits are set and input by officers of the Credit Risk Management department.
- All procedures involving the receipt of cash, the collection of income, and transmission of income to the lender are independently verified by our Product Control Group.

Documenting and Safeguarding Assets On Loan

We have a number of methods for documenting and safeguarding assets that may be the subject of a loan. These methods fall into several broad categories:

Legal: Our contract with our borrowers is an extensively modified version of the PSA standard agreement. The modifications provide additional lender safeguards not contained in the standard form of contract.

Prior to entering any new market, we also conduct extensive legal and operational due diligence to ensure that the local market has adequate safeguards and settlement procedures which would permit securities lending to take place without incurring inappropriate risk and to ensure that the transaction will not expose the lender to any additional financial obligations such as taxes or stamp duty.

The Management Oversight Committee (MOC): reviews the lending group's activities at least monthly. The MOC consists of senior officers from the Group. This committee reviews borrower credit lines, new products, cash collateral investments, risk controls and procedures and has the power to order the discontinuance of any practice that does not meet with the approval of that Committee.

An independent department conducts internal audits. The audit team is also available to conduct diagnostic audits in advance of the adoption of new products or procedures to ensure that such procedures are safe and sound and within Bank regulatory guidelines. CS is also subject to audit review by the Federal Reserve Bank, the SEC and the Swiss Banking Authorities



Systems

Two computing platforms support the securities lending operation. These platforms are Unix and Windows NT operating environments. Leased lines and dial up communication networks provide connectivity among CS, its clients, borrowers/counterparties and other third parties. In addition, real-time and batch processing communications to the Depository Trust Company (DTC), Federal Reserve Bank (FRB) and certain custodians are used in the securities settlement processing environments.

Third-party software packages operating in a Windows NT environment with servers operating in a Unix environment are used to support the processing of securities lending operations. The three core systems are:

- Global One, one of the premier securities lending systems, is used to support the Agent Program and is processed in the Unix environment. Global One maintains and processes both U.S. securities and non-U.S. securities loans and securities lending related functions including collateralization, counterparty credit limits, securities availability and earnings. Global One tracks loan activities, which include loan initiation, loan servicing (up marks and down marks), and loan completion (returns). Global One captures, allocates and processes trades. Global One maintains a number of databases such as the fund database, counterparty database and securities database. Global One is a parameter-driven system. System parameters allow CS to tailor certain processing requirements such as editing/warning rules and reporting requirements. Global One also provides interfaces to market standards for data-feeds and settlement systems.
- Charles River Development's Charles River Trading and Compliance System (Charles River), is used to support the reinvestment activities that include compliance with the clients' guidelines for trading activities.
- Advent's Geneva System, a global portfolio accounting system, is used to maintain books and records for reinvestment activities. Geneva supports a broad range of investments and various transaction types and provides automatic calculation of interest accrual and amortization of fixed income investments. Geneva maintains a knowledge-based database that allows users to retrieve information for reporting purposes.

In addition, CS uses a number of services provided by third-party vendors such as DTC, FRB, and Loanet. Automatic feeds from these vendors are used in supporting the Agent Program. Examples of these services include:

- Loanet Contract Compare – identifies differences at a contracts level with counterparties. Each participant sends a file of outstanding contracts to Loanet. Loanet performs a comparison and generates a file or report indicating exceptions.
- Loanet Automated Mark – compares contracts to new money, sends the new values back to each participating firm for updating, and sends summary marks to DTC on behalf of participants.

Global One provides modules for interfacing with third-party vendors. Other supporting application software includes:

- Global Asset Servicing Production and Corporate Action Projection Systems, used in tracking and monitoring corporate actions. The system is used by Credit Suisse Group to support its global securities related business.
- Loan View, Internet-based reporting software, developed in-house, provides clients, client custodians and counterparties the ability to review on-line the results of their securities lending transactions processing. Loan View retrieves the information from Global One and Geneva for reporting purpose.

21. Discuss all fees related to your organization's program

Besides Credit Suisse's portion of the fee split, we do not charge our clients any other fees for providing securities lending services.



22. Please provide references of four clients of similar size enrolled in your organization's lending program.

Client		Reference	Phone Number
CalPERS	\$55 billion	Dan Keifer	916.795.3380
SEI Mutual Funds	\$35 billion	Steve MacRae	610.676.2547
Trusco	\$20 billion	Kazuhro Sekimoto	404.575.2737
New Mexico SIC	\$12 billion	Bob Jackshaw	505.424.2528
Fifth Third Funds	\$6 billion	Mike Dailey	513.534.5452

CalPERS currently participates in a blended program of principal and agent lending.

23. Discuss any lawsuits or pending litigation regarding your organization's securities lending activities. (See section 3.103.)

Credit Suisse, NY Branch, which is the legal entity for our securities lending business, has not been sanctioned, investigated, fined, or cited by any regulatory body. In the ordinary course of its business, Credit Suisse, New York Branch, is involved in various legal matters, some of which may seek significant monetary or injunctive relief. However, when taken as a whole, there have been no past or pending material administrative, civil, or criminal actions, or judgments or orders, against Credit Suisse, New York Branch, which have had or are expected to have a material adverse effect on the financial condition or operations of Credit Suisse, New York Branch, or the ability of Credit Suisse, New York Branch, to fulfill its obligations. Over the last three years Credit Suisse, NY Branch has not experienced any litigation or investigation by a regulatory authority.

24. Please include a proposed securities lending contract.

A boiler plate agreement is under Supplemental Appendix N.

25. Discuss your contingency and disaster recovery plans. Are there backup capabilities in case of malfunction or disaster? Does your organization have a backup site? A hot site? Describe in detail. How frequent are the disaster procedures tested?

CS's securities lending group has not suffered a disruption in service globally since the inception of our lending program in 1991. The Firm's Global Business Continuity Group manages data recovery procedures. The group has developed detailed Business Recovery and Incident Management Plans to facilitate contingency procedures. In addition, the Firm has both contingency seats and remote data centers to support recovery of its production environment. CS's main location is in New York. Our backup sites are in Princeton NJ, Jersey City, and Zurich. CS is also has an office in Raleigh, North Carolina, as a full service site, that backs up all data in New York daily. Credit Suisse's disaster recovery procedures are tested at least twice a year.

CSFB also provides an emergency contact tree, which includes contact information for all bank employees in the event that there is a need to contact in case of a disaster. This contact tree includes contact information for employees in operations up through senior management.

Please refer to Supplemental Appendix O for a copy of our disaster recovery plan.



Appendix E
Proposal Clarifications

1. If Jennie Mae GNMA pools (government bonds) are lent, will the State receive back the same characteristics of pools lent (i.e. maturity, yield, yield-to-maturity, etc.)?

Credit Suisse's Response:

Yes, the State of Michigan will receive the same pool back for all GNMA loans.

2. Are Title XI (private placements) included in percentage of assets on loan?

Credit Suisse's Response:

No, we did not include Title XI (private placements) in our percentage of assets on loan or revenue projection.

3. What is the assumption included in your income estimates for the average duration of the loans of the State securities by class?

Credit Suisse's Response:

U.S. Equities and U.S. Corporate Bonds will have durations of one day. U.S. Treasuries and Agencies will have durations of five days. Mortgages will have durations of 30 days. All loans, regardless of the duration, are callable by the State of Michigan at any time. Credit Suisse will be responsible for returning shares recalled by the State according to normal market settlement practices, regardless of the intended term of the loan.

4. The State may recall securities to vote its proxies from time to time. How much notice is needed to recall a security?

Credit Suisse's Response:

Timeframes for all recall notices are based on normal market settlement standards for the security, therefore T+3 for the U.S. Equity market. In many instances, Credit Suisse is able to get shares back for clients with less notice. Credit Suisse recalls securities by the clients intended recall date greater than 99% of the time. Given the efficiencies of the securities lending market, the State should not experience any more difficulty in recalling securities with Credit Suisse than the State has with its current provider.

5. Are custodian fees for the third party lender included in State's earnings/income projections?

Credit Suisse's Response:

Credit Suisse did not deduct third party lending fees from our proposal, since the State did not provide a breakdown of what the custodian will be charging. Third party lending fees vary from custodian to custodian, and also from client to client. Some custodians charge a flat fee, some charge asset based fees, and others charge transaction costs. We would be happy to provide you with sample fees that our clients have negotiated with their custodians. Based on what our clients pay today, we would assume that the third party lending fees for the State would fall between \$200,000 and \$500,000 annually. The Credit Suisse program generally deducts these fees from gross earnings before any income is paid to either the client or the bank.

6. The cover letter of Credit Suisse's proposal stated, "Credit Suisse is offering a guarantee of \$13 million in annualized revenue." Appendix P of the proposal stated, "...Credit Suisse is offering the State of Michigan guaranteed earnings of \$13 million over a one year period." Is the \$13 million guaranteed over a one-year period or every year of the contract?

Credit Suisse's Response:

Credit Suisse's intent is to extend our guarantee on an annual basis, over the life of the contract. However, as is market practice we would include language in our contract that will allow us to renegotiate this guarantee if there are material changes. Material changes generally include a sizable decrease in lendable assets, changes to the client's asset allocation that decreases the lendability of the assets, and more restrictive regulatory or statutory laws. We are also open to discussing other arrangements or structures with the State.



7. Credit Suisse proposed an annual guarantee of \$13 million per year. Please quantify/define what would be a sizeable decrease in lendable assets (i.e. 2% or \$500 million, etc.), change in asset allocation that decreases lendable assets, and particular regulatory or statutory laws that would inhibit earnings.

Credit Suisse's Response:

A sizable decrease in assets would be 15% or greater per year on average. Also, a decrease in the allocation to micro cap, small cap, and mid cap equities, or U.S. Treasuries and Agencies of greater than 15% annually on average would negatively impact the lendability and return of the assets. Furthermore, moving greater than 15% of the assets in to commingled funds would decrease the lendable asset base and thus our ability to meet our guarantee. Generally, the regulatory or statutory laws that would inhibit earnings would be driven by either State or Federal legislation. For example, if there was new legislation that limits or prohibits the State's ability to lend its assets, or creates more restrictive investment guidelines on the state. Regulatory and statutory changes are out of the control of Credit Suisse, which is why we would look to renegotiate our guarantee. Credit Suisse looks at our relationship with the State of Michigan as a partnership, and is looking to create a structure that gives the State confidence in Credit Suisse. We would be happy to work with the State to draft language for the contract that would be agreeable to the State.. There is no intention by Credit Suisse to side step its obligation due to minor or immaterial changes to the State's assets.

8. Please propose Credit Suisse's best guarantee offer (i.e. if \$18 million per year was guaranteed, then 80/20 fee split would be offered).

Credit Suisse's Response:

Credit Suisse feels it may be best to discuss this topic verbally with the State. We look to create securities lending relationships that best meet our clients needs. In order for us to offer the best structure possible, we would need to know what is most important to the State, whether it be stable annual income, or greater revenue production from a larger portion of the fee split. If these structures are not the route the State is looking to go, please let us know, and we would enjoy discussing other options. Credit Suisse as an Agent Lender, typically does not guarantee revenue for its clients given the numerous variables outside of our control that can affect income generation. There are times that we will offer a hard guarantee in year one or year two of our partnership in order to instill confidence in new clients that the Credit Suisse program will achieve the stated proposal. Looking at historical performance, our current clients have outperformed our original estimate. Credit Suisse would like to offer the following scenarios as possible options for the State, but is completely open to discussing other scenarios as well:

Scenario 1

Guarantee: 100% of the gross revenue number with 70% paid to the State of Michigan, resulting in \$16,833,661 paid to the State.

Fee Split: 70/30 in favor of the State

This offer is a hard guarantee for one year and to be re-evaluated annually, with the intention for it to extend for the life of the contract. The intention is not to eliminate this offer, but to ensure nothing out of our control is limiting our production. There is no question we would look to the State to ensure you are in agreement.

Scenario 2

Guarantee: \$15 million

Fee Split: 80/20 in favor of the State

This offer is a hard guarantee for two years, with the right to re-evaluate every two years going forward. The intention is to extend this guarantee over the life of the contract, but the level will need to be negotiated in future years given the unpredictability of the marketplace. The intention is not to eliminate this offer, but to ensure nothing out of our control is limiting our production. There is no question we would look to the State to ensure you are in agreement.

Scenario 3

Guarantee: \$13 million

Fee Split: 85/15 in favor of the State

This offer is a hard guarantee for two years, with the right to re-evaluate every two years going forward. The intention is to extend a guarantee over the life of the contract, but the level will need to be negotiated in future years given the unpredictability of the marketplace. The intention is not to eliminate this offer, but to ensure nothing out of our control is limiting our production. There is no question we would look to the State to ensure you are in agreement.



9. What would the annual guarantee be if the State's lendable assets increased as follows:

- a. 0-4.99%
- b. 5-9.99%
- c. 10-14.99%
- d. 15-19.99%
- e. 20-24.99%
- f. 25-29.99%
- g. 30-34.99%
- h. 35-39.99%
- i. 40-44.99%
- j. 45-49.99%
- k. 50% or greater.

Credit Suisse's Response:

Credit Suisse would like to offer the State the reciprocal of question one. If the State's asset value increases, the guarantee can be renegotiated upward. Theoretically, if the State's lendable assets increase proportionality across asset classes, the guarantee should increase proportionally as well. However, Credit Suisse feels this would be best suited to be reviewed on an annual or biennial basis. Given intra-year volatility of the asset base, the annual average would need to be reviewed, as well as any percentage changes in allocation to asset classes and styles. The growth reflected above, however, should result in higher income for the State of Michigan, but it is hard to predict given all of the variables. We would enjoy discussing an arrangement that would make the State confident in Credit Suisse.

10. Will Credit Suisse pay all custodian fees for a 3rd party lending agent?

Credit Suisse's Response:

Assuming Credit Suisse can be involved in negotiating the States third party lending fees with the custodian, and the State agrees to the \$17 or \$15 million guarantee structures in question two, CSFB would cover all third party lending fees. If the State would prefer to accept the \$13 million structure, Credit Suisse would like to offer to cover all third party lending fees above \$500,000 annually, again assuming we are involved in helping create the fee schedule. Another option around the \$13 million structure, would be to adjust the fee split by two percent and have Credit Suisse cover the third party lending fees. Credit Suisse would be happy to discuss fee arrangements our clients have in place with their custodians to ensure the State achieves the lowest possible cost. Based on the state's current custodian, we would expect to see them charge \$5 for loans and loan returns, \$10 for wires, and .5 basis point for custodying the cash collateral. Our estimate is that these expenses should not exceed \$500,000 annually. Again, we are open to other structures, if the State has something else in mind.

11. Will Credit Suisse negotiate the price proposal structure?

Credit Suisse Response:

Below are the details of the final arrangement between Credit Suisse and the State of Michigan. Credit Suisse will serve as the State of Michigan's securities lending agent. The gross revenue earned by the program will be split on a 85%/15% basis with the State receiving the majority share. Credit Suisse's offer is supported by a \$15 million minimum revenue guaranty for the first 3 contract years. The State has agreed to change the revenue sharing arrangement at specified break points. Once the State earns \$18 million, the fee split will then change to 83% to the State and 17% to Credit Suisse. When the State earns \$20 million, all additional income will be paid out at 81% to the State and 19% to Credit Suisse basis. Credit Suisse will pay all third party lending expenses, which are anticipated to be \$150,000 per annum.

This proposed structure will be in place for three years, submit to review by both parties at the end of the 3rd anniversary. The contract period will be for five years, with the State's option to extend for two additional years.



APPENDIX F

SECURITIES LENDING SUPPLEMENTAL TERMS AND CONDITIONS

1. DEFINITIONS. Terms used in this Appendix F and not otherwise defined herein shall have the meanings ascribed thereto in Annex A hereto.

2. APPOINTMENT AND AUTHORIZATION.

(a) Appointment.

(i) The State hereby appoints Contractor as the State's agent for the purpose of providing, and hereby authorizes Contractor to provide, the securities lending management services set forth in this Appendix F (the "Securities Lending Management Services"), and Contractor hereby accepts such appointment subject to the terms and conditions of this Appendix F and the Contract.

(ii) The State hereby authorizes Contractor to engage in such acts as Contractor deems necessary or desirable for the performance of the Securities Lending Management Services and the State hereby appoints Contractor as the State's attorney-in-fact to execute any documents or instruments deemed by Contractor to be necessary or desirable to effect the same (including, without limitation, any applicable Related Agreements). The State agrees to be bound by each such Related Agreement as if the same were executed and delivered directly by the State. Upon the State's request, Contractor shall make available to the State copies of all such agreements then in effect.

(b) Acknowledgements. The State hereby acknowledges that it has been fully informed with respect to, consents to, and makes such appointment notwithstanding the following facts and circumstances, which may give rise to a conflict of the interests of Contractor with those of the State: (i) Contractor or its affiliates may from time to time act on behalf of (including in a fiduciary capacity), or engage in transactions other than Loans with, Approved Borrowers; (ii) Contractor or its affiliates acts as agent for other lenders of securities and in such capacity may make loans and investments and reinvestments of cash collateral for such loans and proceeds thereof, which may from time to time preclude Contractor from making Loans or Cash Collateral Investments for, or be on terms more favorable than those afforded to, the State; (iii) Contractor or its affiliates may from time to time act as borrower or counterparty with respect to Loans and Cash Collateral Investments; (iv) Contractor or its affiliates may act as broker, dealer or investment advisor with respect to such Cash Collateral Investments; (v) Contractor may select and utilize any broker, dealer or agent, including affiliates of Contractor, to effect Cash Collateral Investments; however, Contractor shall not engage in affiliated business transactions relating to the Contract unless such transactions are on terms no less favorable than could be obtained from unaffiliated third parties on an arm's-length basis; and (vi) Contractor may use any recognized pricing information service in order to perform its valuation responsibilities with respect to Loaned Securities and Loan Collateral; *provided, however*, that, with respect to Loaned Securities consisting of mortgage-backed securities, Contractor may use its internal pricing sources (including its affiliates) to perform such valuation responsibilities.

3. SECURITIES LENDING MANAGEMENT SERVICES.

(a) Operating Guidelines. Contractor, the State and Custodian shall operate in accordance with the Operating Guidelines, as agreed.

(b) Securities Borrowing Agreements. Contractor may from time to time in its sole discretion enter into Securities Borrowing Agreements. Subject to the terms and conditions of this Appendix F and the Contract, Contractor agrees, as the State's agent, to exercise the State's rights and remedies under Securities Borrowing Agreements, including, without limitation: (x) marking Loans to the market; and (y) collecting all Loan Collateral, all interest and other distributions payable by Approved Borrowers in respect of Loaned Securities and any Loan



Fees and causing the same to be deposited in the Collateral Account or otherwise credited to the State, as applicable. Contractor shall delete any Approved Borrower from the list of Approved Borrowers upon receipt of Written Instructions to do so.

(c) Loans.

(i) Contractor may from time to time negotiate and make Loans for and on behalf of the State on such terms as Contractor determines are commercially reasonable. Contractor may terminate any Loan with an Approved Borrower in its reasonable discretion upon obtaining consent from the State. Notwithstanding the foregoing, Contractor shall terminate any such Loan, without obtaining consent from the State, as soon as practicable: (A) after receipt by Contractor of a notice of termination of such Loan from such Approved Borrower; (B) after receipt by Contractor of Written Instructions to do so; (C) after receipt by Contractor of Written Instructions requesting the deletion of such Approved Borrower from the list of Approved Borrowers; and (D) upon the termination of the Contract. Contractor shall equitably allocate securities loans (including Loans) made by it as agent among all lenders for which it acts as agent, and the making of a loan for a lender other than the State shall not give rise to any obligation on the part of Contractor to allocate any portion of such loan to the State or to make any Loan on behalf of the State.

(ii) The State acknowledges and agrees that the State shall have no voting rights and may not participate in any dividend reinvestment plans with respect to Loaned Securities. It is further acknowledged and agreed that (x) the State shall be responsible for notifying Contractor of any return of Loaned Securities required to enable the State to exercise any voting rights, participate in any rights offering, warrant or option transaction, or take any other similar action in respect of such Loaned Securities, (y) Contractor shall have no obligation to determine when and whether the return of Loaned Securities is required for such purposes and, absent such notice from the State given on a timely basis which timely notice shall not be less than the normal market settlement standards for such Loaned Securities, Contractor shall have no obligation to make Loaned Securities available to the State for any such purposes, and (z) upon receipt of such timely notice from the State, Contractor shall use its best efforts to cause the return of Loaned Securities to the State. Contractor shall cause to be credited to the State the amount of all cash dividends and other cash distributions received from the applicable Approved Borrower on Loaned Securities that are out on Loan on the record date therefor that the State would have received had the same not been then out on Loan; Contractor shall have no obligation to credit such amounts to the State unless and until Contractor receives such cash dividends or cash distributions. All non-cash dividends or distributions, if any, on Loaned Securities shall be deemed to be Loaned Securities.

(iii) The State shall notify Contractor in writing of any applicable restrictions or limitations regarding any Loanable Securities including, without limitation, the amount of Loanable Securities that may be out on Loan at any time, the type of permissible collateral and restrictions or prohibitions, if any, as to the identity of, and credit exposure limits for, any Approved Borrower.

(iv) It is understood and agreed that (A) the specific identifying information (including, without limitation, legal name, tax identification number, address of incorporation, address of principal place of business and industry classification) of the State shall be disclosed by Contractor to an Approved Borrower under a Loan at any time prior to, on and after the making of the Loan, (B) all Loans will be transacted by Contractor for the State on a fully disclosed agency basis and (C) the State shall provide to Contractor the State's financial statements and such other information as Contractor may request.

(d) Collateral. At the making of each Loan, Contractor shall require the deposit in the Collateral Account by the applicable Approved Borrower of Loan Collateral in an amount at least equal to the Required Margin Level (the "Required Margin Level") set forth on Schedule III hereto. Contractor shall accept substitute collateral which is Cash Collateral or Non-Cash Collateral and mark to market all Loans on a daily basis in accordance with Contractor's customs and practices. The State acknowledges and agrees that Contractor may determine not to require the deposit of any additional Loan Collateral if the amount thereof is, in the sole judgment of Contractor, not material in relation to the Market Value of the related Loaned Securities. The State acknowledges and agrees that it



shall be obligated (i) to pay, or cause to be paid, a Rebate to Approved Borrowers (only with respect to Cash Collateral), (ii) to return, or cause to be returned, all distributions on Non-Cash Collateral to Approved Borrowers, and (iii) to return, or cause to be returned, Loan Collateral to Approved Borrowers. Contractor shall have the right to hold back delivery of related Loan Collateral to the Approved Borrower upon termination of a Loan in an amount at least equal to the declared but unpaid distributions or any other sum due and owing at the time until such distributions or sum are paid in full.

(e) Cash Collateral Investments. Contractor shall, for and on behalf of the State, invest and reinvest in Approved Investments all or substantially all of the Cash Collateral and proceeds of Cash Collateral Investments held from time to time in the Collateral Account and, in connection therewith, may buy, sell, liquidate, or offset any Cash Collateral Investments. The State acknowledges and agrees that Cash Collateral may be invested and reinvested on a commingled basis with cash that collateralizes securities loans made by Contractor as agent for principals other than the State, provided that, in each such case, Contractor's records will reflect the portion of any commingled investments that are allocable as collateral for the obligations owing to the State in respect of the Loans. The State acknowledges and agrees that all Cash Collateral Investment Shortfalls are for account of the State and agrees to deposit in the Collateral Account, on demand by Contractor and in immediately available funds, an amount equal to such Cash Collateral Investment Shortfalls.

(f) Recordkeeping and Reports. Contractor shall establish and maintain records reasonably necessary to account for all Loans, Program Income and Contractor's Fees, and shall provide to the State a report thereof on a monthly basis for the preceding month, all in accordance with Contractor's customs and practices as in effect from time to time.

(g) Exercise of Remedies. Contractor shall, in its sole judgment and discretion, determine whether there has been a Borrower Event of Default and exclusively exercise on behalf of the State (and Contractor, if applicable) its or their remedies against an Approved Borrower upon the occurrence of a Borrower Event of Default. Contractor shall be under no obligation or duty to exercise on behalf of the State or Contractor any specific remedy available to the State or Contractor under a Securities Borrowing Agreement.

4. CONTRACTOR'S COMPENSATION. For the performance of its obligations under the Contract, the State shall pay to Contractor monthly in arrears the fee (the "Contractor's Fee") set forth in Schedule III hereto.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE STATE.

(a) Representations and Warranties of the State. The State represents and warrants to Contractor that:

(i) The State has the power and authority to enter into the Contract and each other Related Agreement to which it is a party. Each of the Contract and the other Related Agreements to which the State is a party has been duly authorized by the State and, upon the execution and delivery hereof and thereof by the State or Contractor, as the State's agent is and will be the legal, valid and binding obligation of the State, enforceable against the State in accordance with its terms.

(ii) The State has, or will have at the time of transfer of any Loanable Security, the right to transfer such Loanable Security subject to the terms and conditions hereof, and such Loanable Securities, at the time of each Loan, will be free and clear of any liens, encumbrances or other adverse claims.

(iii) Neither the Contract nor any other Related Agreement to which the State is a party, upon its execution and delivery, does or will violate any statute, regulation, rule, order or judgment binding on the State or any provision of any of the State's organizational documents, or any agreement binding on the State or affecting the State's property.

(iv) The person executing the Contract and all other Related Agreements to which the State is a party and all Authorized Persons acting on behalf of the State, have and will be duly and properly authorized to do so.



(v) The State has not relied on Contractor for any tax, accounting, regulatory, legal, financial or investment advice concerning the Contract, any Related Agreement or any Loans or Cash Collateral Investments and has made its own determination as to the tax, accounting, regulatory, legal and financial treatment of the Contract, any Related Agreement and all Loans and Cash Collateral Investments and any dividends, distributions or other funds received hereunder or under any Securities Borrowing Agreement.

(vi) Each representation and warranty made by the State in the Related Agreements is true, correct and complete on the date hereof and will be true, correct and complete on the date each Loan is made and continually throughout the term of the Contract and each other Related Agreement.

(vii) The State is a "qualified investor" as defined in Section 3(a)(54) of the Securities Exchange Act of 1934, as amended.

(viii) None of the Loanable Securities are assets of an "employee benefit plan" as defined in the Employee Retirement Income Security Act of 1974, as amended.

(b) Continued Effectiveness of Representations and Warranties. All of the representations and warranties of the State made in this Section 5 shall be deemed to be continuing and reaffirmed at the time of the making of each Loan and at all times such Loan is outstanding.

6. BORROWER DEFAULT; GUARANTY BY CONTRACTOR.

(a) If an Approved Borrower fails to return any Loaned Securities when due in accordance with the terms of the applicable Securities Borrowing Agreement (the "Return Date") due to (i) a Default (as such term is defined in the applicable Securities Borrowing Agreement) of the Approved Borrower as set forth in Section 11.5 (if the applicable Securities Borrowing Agreement is the 1993 version of the Bond Market Association's Master Securities Loan Agreement) or Section 12.5 (if the applicable Securities Borrowing Agreement is the 2000 version of the Bond Market Association's Master Securities Loan Agreement) of the applicable Securities Borrowing Agreement, or (ii) an Event of Default (as such term is defined in the applicable Securities Borrowing Agreement) of the Approved Borrower as set forth in Clause 12(D) (if the applicable Securities Borrowing Agreement is the 1995 version of the International Securities Lending Association's Overseas Securities Lender's Agreement) or Paragraph 14.1 (if the applicable Securities Borrowing Agreement is the 2000 version of the International Securities Lending Association's Global Master Securities Lending Agreement) of the applicable Securities Borrowing Agreement, then Contractor shall use its best efforts to purchase, within a commercially reasonable time (taking into consideration the nature of the market for the Loaned Securities), a like amount of Loaned Securities of the same issue, class, type or series (the "Replacement Securities"). The State agrees that Contractor shall apply the Collateral Value to the purchase of such Replacement Securities. Notwithstanding the foregoing, if Contractor is unable to purchase Replacement Securities in the market by the fifth Business Day following the Return Date, then Contractor shall pay to the State an amount equal to (x) the Market Value of such Loaned Securities as of the Return Date minus (y) the Collateral Value related to such Loaned Securities as of the date determined by Contractor in its discretion.

(b) Upon and to the extent of performance by Contractor under Section 6(a) hereof, Contractor shall be subrogated to all rights of the State against the applicable Approved Borrower and the State shall assign and be deemed to have assigned to Contractor, all of such State's rights in, to and against such Approved Borrower in respect of the related Loan. In addition, in the event that the State receives or is credited with any payment in cash or in-kind from or on behalf of the Approved Borrower in respect of rights to which Contractor is subrogated as provided herein, the State shall promptly remit or pay to Contractor the same (or, where applicable, its United States Dollar equivalent). To the extent that any rights or interests to which Contractor is subrogated, or which are assigned to Contractor, in accordance with this paragraph (b) are reduced or impaired in respect of rights of setoff or defenses relating to the State, the State will make appropriate reimbursement to Contractor as reasonably determined in good faith by Contractor.



(c) Any indemnities provided under Section 6(a) with respect to Loans where any entity that directly, or indirectly through one or more intermediaries, controls Credit Suisse or that is controlled by or is under common control with Credit Suisse is the Approved Borrower shall be deemed to be issued by Credit Suisse acting through its head office in Zurich, Switzerland.

(d) WITHOUT LIMITING THE PROVISIONS OF THIS SECTION 6 OR WAIVER OF ANY RIGHTS GIVEN TO STATE UNDER ANY SECURITIES BORROWING AGREEMENT, IT IS UNDERSTOOD AND AGREED THAT THE PROVISIONS OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 MAY NOT PROTECT THE STATE WITH RESPECT TO LOANED SECURITIES AND THAT, THEREFORE, THE LOAN COLLATERAL MAY CONSTITUTE THE ONLY SOURCE OF SATISFACTION OF AN APPROVED BORROWER'S OBLIGATIONS IN THE EVENT SUCH APPROVED BORROWER FAILS TO RETURN THE LOANED SECURITIES.

7. CONTRACTOR.

(a) Liability of Contractor. Except as otherwise expressly provided in this Appendix F or the Contract, Contractor shall not be liable for any costs, expenses, damages, liabilities or claims (including attorneys' and accountants' fees) incurred by the State, except those costs, expenses, damages, liabilities or claims arising out of the negligence, bad faith or misconduct of Contractor. Contractor shall have no obligation under the Contract for costs, expenses, damages, liabilities or claims (including attorneys' and accountants' fees) which are sustained or incurred by reason of any action, inaction or financial failure by or of a Clearing System or depository or subcustodian, or their nominees, and the successors and assigns of the foregoing (including, without limitation, Custodian and Collateral Custodian holding Loanable Securities, Loan Collateral or other property in connection with the Contract), or as a result of reliance by Contractor upon information provided by any pricing information service. Contractor shall not be liable for the acts or omissions of any broker, dealer or agent selected by it to execute Cash Collateral Investments. Section 2.306 of the Contract sets forth Contractor's limitation of liability for indirect or consequential damages.

(b) Approved Borrowers. The State shall have responsibility for approving the borrowers, and Contractor shall not be liable for any loss or damage suffered as a result of any such approval (other than as provided in Section 6(a)).

(c) Reliance on Instructions. Contractor shall be entitled to rely upon any Written Instructions or oral instructions of an Authorized Person or a person believed by Contractor to be an Authorized Person received by Contractor and believed by Contractor to be duly authorized and delivered.

8. INDEMNIFICATION OF CONTRACTOR. Reserved.

9. TRANSFERS FROM SECURITIES ACCOUNT AND COLLATERAL ACCOUNT.

The State hereby:

(a) Instructs and directs Collateral Custodian, and authorizes Contractor, to transfer or cause the transfer from the Collateral Account to Contractor, to be retained by Contractor as payment, any and all amounts due and payable to Contractor hereunder, including without limitation, the Contractor's Fee *provided, however*, that such transfer shall be reported to the State in accordance with Section 3(f).

(b) Instructs and directs Custodian and Collateral Custodian, as the case may be, to transfer or cause the transfer from the Securities Account and/or Collateral Account to Contractor and/or any Approved Borrower any and all property in such accounts in accordance with written instructions from Contractor as may be required under this Appendix F. The State agrees and acknowledges that (i) delivery of a copy of this Appendix F to Custodian and Collateral Custodian shall constitute written instructions to Custodian and Collateral Custodian, (ii) Custodian and Collateral Custodian are authorized to rely on such written instructions and (iii) Custodian and Collateral Custodian shall be under no duty to inquire into the validity or accuracy of any such instructions.



10. TAXES. The State shall be responsible for all filings, tax returns and reports on any Loans which are to be made to any authority whether governmental or otherwise and for the payment of all Taxes and, insofar as Contractor is under any obligation (whether of a governmental nature or otherwise) to pay the same on the State's behalf, Contractor may do so out of any moneys or assets of the State held by Contractor, Custodian, Collateral Custodian or provided by the State. Contractor shall promptly notify the State when Contractor pays such amounts on the State's behalf. The State further acknowledges that the tax treatment of any amounts paid by an Approved Borrower in respect of dividends or distributions on Loaned Securities may be different from the tax treatment of such dividends or distributions had the Loaned Securities not been out on Loan to such Approved Borrower, and that Contractor shall not be responsible for collecting any payments from Approved Borrower due to a retroactive change in law or rule of any governmental agency regarding the tax treatment of the interest or dividend to which such payment relates. Section 2.304 of the Contract sets forth sales and Federal excise taxes which may be payable by the State.

11. MISCELLANEOUS PROVISIONS.

(a) Transaction Costs. All transaction costs charged by Custodian and Collateral Custodian shall be borne by Contractor.

(b) Termination. Pursuant to the provisions of Section 2.7 of the Contract and this Section 11(b), on the date of termination (whether on or before its stated term, the "Termination Date"), Contractor shall (i) terminate outstanding Loans in accordance with the terms of each applicable Securities Borrowing Agreement, (ii) cease making Loans and investing and reinvesting Cash Collateral (however, Contractor may continue making Loans and/or investing and reinvesting Cash Collateral if Contractor determines, in its sole judgment and discretion, that to do so would facilitate the orderly termination of the Loans and liquidation of the Cash Collateral Investments) and (iii) in its sole judgment and discretion proceed to liquidate Cash Collateral Investments in an orderly fashion (which may not occur until after the Termination Date), it being understood by the State that early termination of Loans may result in losses on the liquidation of Cash Collateral Investments, which losses shall be for the account of the State. Notwithstanding the foregoing, Contractor may terminate the Contract upon 5 days notice in the event of a material financial deterioration of the State (as determined in Contractor's sole discretion). Contractor shall be entitled to receive the Contractor's Fee on the Termination Date, calculated as if such date were the end of the month in which such Termination Date occurs, and all other amounts due and owing to it hereunder. To the extent Contractor provides services after the Termination Date in order to provide for the orderly termination of the Contract, Contractor also shall be entitled to receive any Contractor's Fees and all other amounts for the performance of its obligations hereunder after the Termination Date. Further, to the extent that any Approved Borrower owes obligations to Contractor to which Contractor has been subrogated, such subrogation rights shall survive the termination of the Contract. Notwithstanding anything to the contrary herein contained, the terms and conditions of the Contract shall remain in full force and effect with respect to any Loan or Cash Collateral Investment remaining outstanding after the Termination Date. In addition, notwithstanding anything to the contrary herein contained, the obligations set forth in Section 8 hereof shall survive the termination of the Contract.

12. NETWORK ACCESS.

(a) Office Access Only.

(i) The State shall use its access to Contractor's computer network, intranet website and other online facilities (collectively, the "System") only from Contractor's facilities or from the State's designated office location set forth in the Contract, and shall limit such access to Authorized Persons.

(ii) The State further represents and warrants that it shall not access, analyze, evaluate, attack, test, intrude upon, invade, connect with, penetrate, probe, or manipulate the System in any way except as agreed to, in writing, by Contractor.



(b) Firewall. The State shall install and maintain at all times during the term of the Contract a corporate “firewall” protecting its computer network in accordance with specifications and standards acceptable to Contractor, in its reasonable discretion.

(c) No viruses.

(i) The State shall not install on the System, nor permit anyone accessing the System through it to install on the System, any computer code designed to disrupt, disable, harm, or otherwise impede in any manner, including aesthetic disruptions or distortions, its operation, or any other associated software, firmware, hardware, computer system or network (sometimes referred to as “viruses” or “worms”), or that would disable the System or impair in any way its operation based on the elapsing of a period of time, advancement to a particular date or other numeral (sometimes referred to as “time bombs”, “time locks”, or “drop dead” devices) or any other similar harmful, malicious or hidden programs, procedures, routines or mechanisms which would cause such programs to cease functioning, or provide or allow unauthorized access to the System, or to damage or corrupt data, storage media, programs, equipment or communications, or otherwise interfere with operations.

(ii) In addition, the State shall implement a commercially reasonable method to intercept and block or delete any such viruses, worms, time bombs, time locks, drop dead devices or other malicious or harmful programs, procedures, routines or mechanisms, and carry out on a regular basis, no less frequently than monthly, and more frequently as reasonably required, a commercially reasonable method to scan its computer system and eliminate from it any such malicious or harmful programs, procedures, routines or mechanisms.

(d) Security Procedures/Audit Rights. The State shall implement and maintain an appropriate security program, including appropriate physical, electronic and procedural safeguards, to (i) ensure the security and confidentiality of the Information, (ii) protect against any threats or hazards to the security or integrity of the Information, and (iii) prevent unauthorized access to or use of the Information. The State shall immediately notify Contractor (i) of any disclosure or use of any Information in breach of the Contract and (ii) of any disclosure of any Information to the State where the purpose of such disclosure is not known to the State. Contractor shall have the right, upon reasonable advance notice, to review the State’s policies and procedures used to maintain the security and confidentiality of the Information, to audit the State for compliance with such policies and procedures and the terms of the Contract, and to conduct virus scans of the State’s computer system. For purposes of this Section 12, “Information” shall mean all information (including, without limitation, reports furnished by Contractor pursuant to Section 3(f) hereof) reviewed on, or downloaded from, the System by the State.



ANNEX A TO APPENDIX F

DEFINITIONS

“Approved Borrower” shall mean any entity specified on Schedule I hereto (which may be amended from time to time pursuant to Section 3(b) hereof).

“Approved Investment” shall mean any type of security, instrument, participation or interest in property, and any repurchase, reverse-repurchase or sell and buy-back agreement in respect thereof, in which Cash Collateral and reinvestment proceeds may be invested or reinvested hereunder, and which are specified on Schedule II hereto (which may be amended from time to time in a writing executed by the State and Contractor).

“Authorized Person” shall mean any person specified by the State on Schedule III hereto (which may be amended from time to time by the State giving five business days’ prior written notice to Contractor) to give Written Instructions on behalf of the State.

“Borrower Event of Default” shall mean, with respect to any Securities Borrowing Agreement, the occurrence of an Event of Default (as defined therein) or Default (as defined therein) entitling the State to terminate Loans thereunder.

“Cash Collateral” shall mean Loan Collateral in the form of cash denominated in United States Dollars.

“Cash Collateral Investment Shortfall” shall mean, with respect to a Cash Collateral Investment at any time of determination, an amount equal to the sum of (i) the amount of principal, interest, repurchase agreement purchase price or repurchase price, repurchase agreement price differential, or other money or distribution payable by an investment issuer or counterparty which is then past due (without giving effect to any grace or cure periods) and determined by reference to the agreement, security or instrument applicable thereto and (ii) the amount of any other loss (including without limitation Clearing System risk and market risk), potential loss, stay, moratorium or illiquidity with respect to a Cash Collateral Investment (whether or not in connection with the sale or liquidation of such Cash Collateral Investment) which results in a deficiency in the amount of Loan Collateral available for return to an Approved Borrower or for payment of any Rebate due to an Approved Borrower.

“Cash Collateral Investments” shall mean investments and reinvestments of Cash Collateral and proceeds of such investments and reinvestments in Approved Investments.

“Clearing System” shall mean, in the case of U.S. securities, the Depository Trust Company, Participants Trust Company, Government Securities Clearing Corporation and any other securities depository or clearing agency (and their respective successors and nominees) registered with the Securities and Exchange Commission or otherwise authorized to act as a securities depository or clearing agency and, in the case of non-U.S. securities, Euroclear, Clearstream and any other depository or clearing agency generally recognized as acting in such capacity or performing similar services with respect thereto.

“Collateral Account” shall mean one or more accounts established in the name of the State by Contractor with Collateral Custodian for the purpose of holding Loan Collateral and Loan Fees paid by Approved Borrowers.

“Collateral Custodian” shall mean Fifth Third Bank.

“Collateral Value” shall mean, in respect of any Loan Collateral as of any date of determination, the sum of the following: (i) in the case of Loans collateralized by Cash Collateral, the value (in U.S. Dollars as determined by the Contractor in good faith in accordance with its standard procedures) of the Cash Collateral plus, without duplication, the Market Value of Cash Collateral Investments and any Cash Collateral Investment Shortfalls, and (ii) in the case of Loans collateralized by Non-Cash Collateral, the Market Value of such Non-Cash Collateral.

“Contractor” shall mean Credit Suisse, New York Branch.



“Contractor’s Fee” shall have the meaning set forth in Section 4 hereof.

“Custodian” shall mean State Street Bank and Trust Company.

“Income” shall mean, with respect to a Cash Collateral Investment and the relevant period of calculation, the greater of (i) income realized and (ii) income expected by Contractor, at the time such investment was made, to be realized in accordance with the agreement, security or instrument governing such Cash Collateral Investment (whether or not such investment is performing and/or subsequently restructured).

“Loan” shall mean each loan of a Loanable Security to an Approved Borrower pursuant to a Securities Borrowing Agreement.

“Loan Collateral” shall mean all Cash Collateral and Non-Cash Collateral delivered by Approved Borrowers as collateral for Loans and, without duplication, all cash amounts delivered by the State for Cash Collateral Investment Shortfalls, all Cash Collateral Investments and proceeds of Cash Collateral Investments.

“Loan Fee” shall mean the Loan Fee (as defined in the applicable Securities Borrowing Agreement) payable by an Approved Borrower with respect to any Loan.

“Loanable Security” shall mean each security designated as loanable by the State.

“Loaned Security” shall mean each security that is the subject of a Loan.

“Market Value” shall mean, with respect to any Loaned Securities or Loan Collateral at any time of determination, the market value thereof (including, in the case of fixed income securities, accrued and unpaid interest, unless contrary to market practice) at such time as determined in good faith by Contractor in accordance with the provisions of the applicable Securities Borrowing Agreement.

“Non-Cash Collateral” shall mean all Loan Collateral, other than Cash Collateral and Cash Collateral Investments, in the form of securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.

“Operating Guidelines” shall mean the agreement or other instrument which sets forth the operating procedures applicable to Contractor, the State and Custodian in connection with the Securities Lending Program.

“Program Income” shall mean, with respect to any calendar month, an amount equal to (i) the sum of (x) all gross Income from all Cash Collateral Investments during such month (not including capital gains or losses and before deduction of any fees and expenses (including, without limitation, investment management fees or administrative fees) incurred in connection with such Income), plus (y) all Loan Fees paid or payable during such month, minus (ii) all Rebates, if any, paid to Approved Borrowers during such month.

“Rebate” shall mean, with respect to any Loan collateralized by Cash Collateral, the Cash Collateral Fee (as defined in the applicable Securities Borrowing Agreement) payable by the State to the Approved Borrower under the applicable Securities Borrowing Agreement.

“Related Agreements” shall mean, individually or collectively, as the context may require, the Securities Borrowing Agreements, all repurchase, reverse-repurchase and sell and buy-back agreements, if any, executed by Contractor on behalf of the State in connection with Approved Investments, and all other agreements, documents, instruments and instructions executed by Contractor pursuant to Section 2(a) hereof.

“Required Margin Level” shall have the meaning set forth in Section 3(d) hereof.

“Return Date” shall have the meaning set forth in Section 6(a) hereof.



“Securities Account” shall mean each account established and maintained by the State with Custodian for the purpose of holding Loanable Securities.

“Securities Borrowing Agreement” shall mean each agreement, and each annex, schedule, and exhibit thereto, entered into by Contractor, as the State’s agent, and an Approved Borrower, setting forth the terms and conditions pursuant to which the State may from time to time lend Loanable Securities to such Approved Borrower.

“Securities Lending Management Services” shall have the meaning set forth in Section 2(a) hereof.

“Securities Lending Program” shall mean the lending of Loanable Securities to Approved Borrowers and the making of Cash Collateral Investments hereunder, and all of the other transactions contemplated hereunder and under the Related Agreements.

“Taxes” shall mean all unpaid calls, taxes (including, without limitation, any value added taxes and any stamp taxes), imposts, levies or duties due on any principal, interest, or other payment or distribution, or transfer, in each case payable on or in connection with any Loan, Loanable Security, Loaned Security, Loan Collateral, Rebate or Loan Fee.

“Written Instructions” shall mean written communications actually received by Contractor from an Authorized Person, or from a person believed by Contractor to be an Authorized Person, by letter, memorandum, telegram, telex, cable, telecopy, facsimile, computer, video (CRT) terminal or other on-line system, or any other method whereby Contractor is able to verify the identity of the sender of such communications or the sender is required to provide a password or other identification code.



SCHEDULE I TO APPENDIX F

List of Approved Borrowers

1. Abbey National Securities Inc.²
2. ABN AMRO Bank N.V., New York Branch¹
3. ABN AMRO Incorporated¹
4. A.G. Edwards & Sons Inc.²
5. Banc of America Securities LLC¹
6. Banca IMI Securities Corp.¹
7. Bank of America, N.A.^{3 2}
8. Barclays Capital Inc.¹
9. Bear Stearns & Co. Inc.¹
10. Bear Stearns Securities Corp.²
11. BNP Paribas Mortgage Corp.³
12. BNP Paribas Securities Corp.¹
13. Calyon Securities (USA) Inc.²
14. Cantor Fitzgerald Securities²
15. CIBC World Markets Corp.²
16. Citadel Trading Group LLC²
17. Citigroup Financial Products Inc.³
18. Citigroup Global Markets Inc.¹
19. Credit Suisse Securities (Europe) Limited²
20. Credit Suisse Securities (USA) LLC¹
21. Credit Suisse, Zurich²
22. Daiwa Securities America Inc.¹
23. Deutsche Bank Securities Inc.¹
24. Dresdner Kleinwort Wasserstein Securities LLC¹
25. Fimat USA, LLC²
26. First Albany Corporation²
27. First Clearing, LLC²
28. Fortis Securities LLC²
29. Goldman Sachs & Co.¹
30. Goldman Sachs Mortgage Company³
31. Greenwich Capital Financial Products, Inc.³
32. Greenwich Capital Markets Inc.¹
33. HSBC Securities (USA) Inc.¹
34. ING Financial Markets LLC²
35. Instinet Clearing Services, Inc.²
36. Jefferies & Company Inc.²
37. J.P. Morgan Securities, Inc.¹
38. Lazard Freres & Co. LLC²
39. Lehman Brothers Inc.^{1 3}
40. Maple Securities U.S.A. Inc.²
41. Merrill Lynch Government Securities Inc.¹
42. Merrill Lynch, Pierce, Fenner & Smith Incorporated¹
43. Merrill Lynch Mortgage Capital Inc.³
44. Merrill Lynch Mortgage Lending, Inc.³
45. Morgan Stanley & Co., Incorporated¹
46. MS Securities Services Inc.¹
47. National Financial Services LLC²
48. Nomura Credit & Capital, Inc.³
49. Nomura Securities International Inc.¹
50. Oppenheimer & Co. Inc.²
51. Raymond James and Associates Inc.²
52. RBC Capital Markets Corporation²
53. RBC Dominion Securities Inc.²
54. Sanford C. Bernstein & Co., LLC^{2 1}
55. SG Americas Securities, LLC²
56. Societe Generale, New York Branch²
57. State Street Bank and Trust Company²
58. State Street Corporation²
59. Swiss American Securities Inc.²
60. Timber Hill LLC²
61. UBS Securities LLC¹

¹ Counterparty may enter into securities lending transactions and securities triparty repurchase transactions.

² Counterparty may enter into securities lending transactions only.

³ Counterparty may enter into whole loan triparty repurchase transactions only.



SCHEDULE II TO APPENDIX F

AUTHORIZATION TO INVEST CASH COLLATERAL

The State authorizes Contractor to purchase investments that fall within the categories below which are identified with an "X" and restricts Contractor from purchasing investments that fall within the categories below which are identified with an "N/A". All investment categories which are identified with an "X" shall meet the requirements of section 20e of the Michigan Public Employee Retirement System Investment Act, as amended (Public Act 314 of 1965).

Currency of Investments:	N/A	Denominated in the same currency as the cash collateral provided for a loan of securities.
	X	Denominated only in U.S. Dollars.
Permissible Instruments:	X	U.S. Treasury Securities
	X	Federal Agency Securities
	X	Time Deposits (Overnight investment only)
	X	Certificates of Deposit (Marketable securities)
	N/A	Bankers Acceptances
	X	Bank Notes (Marketable securities)
	X	Commercial Paper and Asset Backed Commercial Paper
	X	Corporate Notes (Fixed and Floating Rate including 144a, all marketable securities)
	X	Asset Backed Securities (Fixed and Floating Rate including 144a, all marketable securities)
	X	Money Market Funds
	N/A	Funding Agreements
	N/A	Master Notes
	X	CSFB Enhanced Liquidity Fund
	X	CSFB Liquidity Fund
	X	Triparty Repurchase Agreements (Indicated collateral below)
	X	Irrevocable Bank Letters of Credit

Triparty Repurchase Agreement Collateral

(indicate margin percentage if acceptable or N/A if not acceptable)

102%	U.S. Treasuries (bills, bonds, notes)	102%	ABS (Rated AAA/Aaa)
102%	U.S. Treasuries (strips, synthetics)	102%	Sovereign Guaranteed Debt
102%	Federal Agency Debentures	102%	Eurobonds (Corporate)
102%	Mortgages (GNMA)	N/A	EMG Bonds (Brady/Global Bonds)
102%	Mortgages (FNMA, FHLMC)	102%	Medium Term Notes
102%	Mortgages (Agency CMO/REMIC)	102%	Money Markets (Tier 1)
102%	Mortgages (Private Label MBS/CMO)	105%	Money Markets (Tier 2)
102%	Corporate Bonds (Investment Grade)	N/A	Whole Loans (Performing-Residential)
N/A	Corporate Bonds (Non-Investment Grade)	N/A	Whole Loans (Performing-Commercial)
N/A	Corporate Bonds (High Yield)	N/A	Whole Loans (Non-Performing)
100%	Cash	N/A	Equities

Credit Quality: Securities graded in the top 4 major grades as determined by at least 1 national rating service, but not graded below the top 4 grades as determined by any national rating services, or determined by the investment fiduciary to be of comparable quality in the case of unrated securities.

Maturity: The maximum maturity for any one security will not exceed 30 months, with the exception of floating rate securities or repurchase agreement collateral. The maturity for floating rate securities will be the shortest of the reset period, final maturity or put date. Reset intervals cannot exceed 100 days. Final maturity for a fixed rate security cannot exceed 30 months, unless the security has a put. The maximum weighted average maturity to reset date for the portfolio shall not exceed 120 days.

Liquidity: A minimum of 10% of the cash collateral must be invested in overnight investments.

Diversification: The maximum amount invested in the securities of any one issuer shall not exceed 5% of the total portfolio value, except for U.S. Treasuries, Agencies, short term investment funds, money market funds, and Repurchase Agreements and related collateral.

Other: At all times the cash collateral shall be equal to not less than 100% of the full market value of the security loans.



SCHEDULE III TO APPENDIX F

Contractor's Fee:

During each twelve-month period starting on June 1, 2006, and ending on May 31, 2009, Contractor shall receive a Contractor's Fee in an amount equal to the following percentages of Program Income:

- 15% of Program Income if State's annual securities lending revenue is less than \$15,000,000;
- 17% of Program Income if State's annual securities lending revenue is greater than \$18,000,000 but less than \$20,000,000; or
- 19% of Program Income if State's annual securities lending revenue is greater than \$20,000,000.

Securities Lending Revenue:

To the extent that the aggregate Program Income earned at the end of each twelve-month period starting on June 1, 2006 and ending on May 31, 2009 is less than \$17,647,059, Contractor shall pay the State an amount equal to the difference between (i) \$15,000,000 and (ii) 85% of such aggregate Program Income (the "Shortfall Amount") promptly after such twelve-month period. Upon payment of any such Shortfall Amount for such twelve-month period, Contractor shall have satisfied its financial obligations to the State.

If (i) by reason of a regulatory, legal, political or any other event, the State suspends securities lending, and/or the securities lending business in the United States or any other country that is the subject of this arrangement is terminated or materially restricted or (ii) a Material Change occurs with respect to the Loanable Securities, the parties (following delivery of notice as set forth in the next succeeding sentence) will enter into negotiations for a period of at least thirty (30) days for a new arrangement (or longer upon mutual agreement of the parties) (the "Negotiation Period") to reflect the changed regulatory, legal, political or business environment. Upon the occurrence of any of the events set forth in the preceding sentence, the State or Contractor, as applicable, shall promptly give notice to the other party. If the parties fail to reach an agreement following such negotiations, either party may terminate this arrangement effective on not less than five (5) days' prior written notice to the other party following the last day of such Negotiation Period.

"Material Change" shall mean, as of any date of determination, (i) a fundamental change in the investment strategy of the State (as in effect on June 1, 2006) or (ii) a decrease in excess of 15% of the market value of the Loanable Securities calculated by reference to \$35.7 billion (the market value of the Loanable Securities as of May 31, 2005).

"Program Income" shall mean, for each twelve-month period starting on June 1, 2006 and ending on May 31, 2009 only, an amount equal to (i) the sum of (x) all gross Income from all Cash Collateral Investments during such twelve-month period (not including capital gains or losses and before deduction of any fees and expenses (including, without limitation, investment management fees or administrative fees) incurred in connection with such Income), plus (y) all Loan Fees paid or payable during such twelve-month period, minus (ii) all Rebates, if any, paid to Approved Borrowers during such twelve-month period.



Required Margin Level: The Required Margin Level for a Loan of any type of Loaned Security shall be an amount equal to the product of (i) the margin percentage specified below with respect to the relevant security type for such Loan and (ii) the Market Value of the Loaned Security (determined as of the date of computation). The margin level/percentage can be established/met by counterparty and not by Loan if the agreement with the counterparty allows use of excess collateral on other Loans to meet the required levels/percentages.

<u>Type of Loaned Security</u>	<u>Margin Percentage</u>
U.S. Equity Securities	
- initially and thereafter	102%
U.S. Fixed Income Securities	
- initial margin	102%
- maintenance margin	102%
International Securities	
- initial margin	105%
- maintenance margin	105%

List of Authorized Persons: The Contract Compliance Inspector identified in section 2.401 of Contract will provide the List of Authorized Persons to Contractor upon Contract execution and will maintain the list on behalf of the State.