OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT
TRUST FUND BOARD OF INVESTORS

REQUEST FOR PROPOSALS (RFP)
FOR
INVESTMENT MANAGEMENT SERVICES

International Equity Search

April 12, 2011
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Section One
GENERAL INFORMATION FOR MANAGERS

1.1 Introduction

In November 2000, the people of the State of Oklahoma enacted Article X, Section 40 to the State Constitution. This new provision created the Tobacco Settlement Endowment Trust Fund into which a substantial portion of the State's share of the national tobacco settlement payments would be deposited. The investment management of this Trust Fund is vested in a five person Board of Investors chaired by the State Treasurer. The remaining members of the Board are appointed by the Governor, State Auditor and Inspector, the President Pro-Tempore of the Senate and the Speaker of the House of Representatives.

Earnings from the Trust Fund may be expended for research to fight cancer and other tobacco-related diseases, tobacco prevention and cessation, programs to promote public health, programs to enhance the provision of health care, a variety of education programs, and programs to enhance the health and well-being of senior citizens. A different board, called the Board of Directors of the Tobacco Settlement Endowment Trust Fund, makes all spending decisions for the earnings.

1.2 Background

A. Legal Authorization
The Board is charged with the investment of the Trust Fund. In addition to Article X, §40 of the Oklahoma Constitution, the Board's investment authorization is set forth in Section 6 of House Bill 1003 of the 2001 Legislative session (codified as title 62, §2306 of the Oklahoma Statutes.)

B. Support Services
The Board is staffed by the Oklahoma State Treasurer's office. The Board has retained New England Pension Consultants as its Investment Consultant, the Bank of Oklahoma as its custodian bank and several investment managers.

C. Allocation of Assets/ Investment Policy
The Board has adopted an asset allocation of 45% fixed income investments, 45% equity investments and 10% alternative investments. The Board's Investment Policy is attached as Appendix A. The constitutional provision creating the Board and the Trust Fund provides that the Fund may be invested in any type of investment vehicle suited for state retirement systems. Both the Board and the state retirement systems are governed by the "prudent investor" standard.
1.3 Description of Services

A. Purpose
The purpose of this Request for Proposal (RFP) is to solicit bids from qualified firms to render investment management services to the Fund. The desired investment management service is the management of a developed international equity portfolio.

B. Scope of Work

1. The selected manager will manage, with discretion, a developed international equity portfolio of approximately 855 million. The portfolio will use MSCI ACWI ex-US as the benchmark. Please note that the portfolio may not contain securities of tobacco-related companies.

2. The Fund’s payouts are currently limited by the amount of earnings generated annually. Title 62 Oklahoma Statutes, Section 2307 defines “earnings” as dividends and interest, less fees to manage the fund. Section 2307 further provides, in pertinent part, as follows: On or before September 1 of each year, the Board of Investors of the Tobacco Settlement Endowment Trust Fund shall determine the earnings of the trust fund for the previous fiscal year ending June 30. The maximum earnings for each fiscal year shall not exceed the net appreciation. In determining earnings, the Board of Investors shall certify an amount that is prudent under the standard set forth in paragraph C of this section. The earnings so determined and certified by the Board of Investors for each fiscal year shall constitute the earnings of the Tobacco Settlement Endowment Trust Fund for the purposes of Section 40 of Article X of the Oklahoma Constitution.

The Fund is seeking a total return manager, where a significant component of the return will be in the form of dividends and interest.

3. A representative staff member of the selected manager may be asked to attend at least one meeting of the Board each year to present required or relevant reports and information. The manager should be prepared to meet with the Board at other times as required.

1.4 Minimum Qualifications

Respondents to the RFP must meet all of the following minimum qualifications and requirements to be given further consideration. FAILURE TO SATISFY ALL OF THE FOLLOWING WILL RESULT IN THE REJECTION OF A PROPOSAL.

A. Manager must have specific expertise in developed markets international equity.

B. Minimum assets under management in the style proposed of at least $1 billion.
C. Possess at least a five-year performance record calculated in compliance with the AIMR performance presentation standards.

D. Utilization by at least 2 US Tax-exempt public funds at the firm level.

E. SEC registered or willing to act as a Fiduciary on Oklahoma Tobacco’s behalf.

F. Willing to provide audited financial statements of strategy

Section Two
BASIC CONTRACT TERMS

2.1 Term of Contract

This contract shall take effect June 30, 2011 and shall continue monthly unless otherwise terminated by the Board.

2.2 Contract Document Used for Agreement

The successful vendor will enter into a contract with the Board in the form attached as Appendix E.

Section Three
THE PROCUREMENT PROCESS

3.1 Proposed Sequence of Events (Subject to Change)

3.2 Explanation of Events
A. Release of the RFP: The RFP will be released on April 12, 2011. The manager may attach a brief (not to exceed three pages) summary of their qualifications to Appendix D (the RFP questionnaire). Please make certain that all information regarding the product and company is updated on eVestment Alliance.

B. Deadline to submit written questions: Managers may submit questions in writing as to the intent or clarity of this RFP by 4:30 p.m. Eastern Daylight Time (EST) April 29, 2011. Managers must address all written questions to Ms. Jennifer O’Brien E-mail address jobrien@nepc.com. Managers must clearly label their questions so that it can be determined which RFP the manager is addressing. Inquiries not submitted in writing in accordance with these requirements will not be considered.

BOARD MEMBERS OR STAFF MEMBERS OF THE STATE TREASURER WILL ACCEPT NO TELEPHONE INQUIRIES OR OTHER NON-WRITTEN INQUIRIES FROM PROSPECTIVE MANAGERS.
Telephone calls to verify receipt of written questions only are allowed to (650) 364-7000. Please ask for Jennifer O’Brien.

C. Submission of Acknowledgment of Receipt Form: Only managers who return this form by 4:30 p.m. EST, **April 29, 2011** will be accepted for this search. See Appendix B for the Acknowledgment of Receipt Form.

D. Response to written questions: Written responses to all managers' written questions will be e-mailed by **May 6, 2011**.

E. References: Please submit a list of three firms or accounts that you service which are similar to the mandate described herein, that can be contacted.

F. Costs of preparation: All costs of preparation and presentation associated with your response to this RFP will be the responsibility of the manager. Managers may be asked to make a presentation before the Board if selected as a finalist. The Board will reimburse none of the costs associated with this presentation.

G. Applicable procurement law: The selection of investment managers for the Board is specifically exempt from the Oklahoma Central Purchasing Act. Pursuant to 62 Oklahoma Statutes Section 2306, the Board must select investment managers through a competitive process using a solicitation of proposals pursuant to its contracting policy. A copy of the contracting policy will be furnished upon request.

H. Submission of proposals: Each manager shall deliver two (2) hard copies of the proposal. Proposals must be signed by an individual with the authority to commit the manager/firm, and the authority of the individual signing must be stated with the signature. **Please also include the submission on a CD. With your submission please include the Fund’s complete eVestment Alliance printout, letters of reference, Appendix C, and Appendix D.**

Additional copies of the proposal may be required from firms selected for interviews or presentations to the Board, which must be exact duplicates of the original response.

The proposal copies shall be packaged together in an envelope or other container for shipping or delivery, which shall be clearly marked:

**PROPOSAL TO SERVE AS AN INVESTMENT MANAGER FOR THE OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST FUND RFP No. 07-217/08-02**

The submissions, including the CD, hand-delivered and express delivery submissions, must be addressed and delivered to:
Deadline for receipt (at the address above) of the proposal is 4:30 p.m., Central Time, May 13, 2011. The date and time will be recorded on the proposals upon receipt by the State Treasurer's office at the above address.

One hard copy of the proposal shall be delivered to:
Jennifer O’Brien
New England Pension Consultants (NEPC)
900 Veterans Boulevard, Suite 340
Redwood City, CA 94063

One electronic copy of the proposal shall be delivered to:
Jobrien@nepc.com

The same deadline as above will apply.

NO FAX TRANSMISSIONS OF THE RESPONSES TO THE FUND WILL BE ALLOWED.
NO EXCEPTIONS TO THE SUBMISSION DEADLINE WILL BE ALLOWED.
I. Submission of Non-Collusion Affidavit: Proposals must include a copy of the Non-Collusion Affidavit which has been signed by an individual with the authority to commit the manager/firm, and the authority of the individual signing must be stated with the signature. See Appendix C for a copy of the Non-Collusion Affidavit.

J. Evaluation of the Proposals: The evaluation of proposals will be performed by NEPC, some Board members and staff members of the State Treasurer's Office. This process will take place between May 13 and May 27, 2011. During this time, NEPC or staff of the State Treasurer may initiate discussions with managers who submit proposals, but proposals may be accepted without such discussions. Managers shall not initiate such discussions.

K. Finalists Interviews: The Board, NEPC and staff of the State Treasurer will be conducting oral interviews of the selected finalists at their discretion on June 8, 2011. Firms selected for final interviews will be contacted directly. The Board will make every effort to notify finalists at least three (3) working days prior to their scheduled interview time.

L. Announcement of Selected Manager: The Board is expected to make the final decision and announcement regarding selection of the awarded proposal by June 8, 2011 or as soon as possible thereafter.
New Contract Takes Effect: The new contract will be effective **June 30, 2011** or as soon thereafter as possible.

### 3.3 Fee Proposal

All fees must be stated as "not to exceed" amounts. No additional charges for sales taxes, transportation, lodging, etc., will be allowed beyond the amounts specifically stated in the manager’s proposal. Manager should be prepared to negotiate the final price and contract terms and conditions within the "not to exceed" price.

### 3.4 Proposal Evaluation Process

A. **Evaluation Summary** - Staff members of the State Treasurer and NEPC advisor personnel will evaluate the proposals. Each member of the Board will have the opportunity to review each proposal as well. The evaluation will determine which proposal is most advantageous to the Fund, taking into consideration the evaluation factors set forth below. The following process will be followed:

1. All proposals will be reviewed for compliance with the minimum mandatory requirements as specified in this RFP. Proposals that are not found to be in compliance will be rejected.

2. Proposals not rejected will then be evaluated on the factors listed in Subparagraph B below. The finalist managers(s) will be the one(s) deemed to be the most advantageous to the Fund, except that a serious deficiency in any single criteria may be grounds for rejection.

3. NEPC and/or staff of the State Treasurer will have the option to contact the manager(s) for clarification of any portion of any proposal. Sources other than the information supplied by the manager may also be used to verify that compliance with requirements of the RFP has been achieved.

4. Finalist manager(s) will make presentations before the Board. The Board will select the successful manager(s) on the basis of this presentation, the information presented in the response to the RFP, and evaluations by NEPC and staff of the State Treasurer.

5. The selection of the successful manager is subject to the successful negotiation of a contract with that manager. If this is not possible within the Board's required time frame, the Board reserves the right to negotiate a contract with other managers in the order the finalists finish in the evaluations. The Board will not be required to initiate another formal RFP process, although a new RFP may be issued if the Board considers it the most advantageous course of action.

6. **Evaluation Points Allocation** - The award of the contract shall be made to the responsible manager whose proposal is most advantageous to the Board, taking into consideration the following weighted evaluation factors. The maximum score will be 1000 points. Please note, however, that a serious deficiency in any one
criterion may be grounds for rejection, and that the listing of cost as an evaluation factor does not require the Board to select the manager who submits the lowest cost proposal:

1. Investment Expertise - 50% (500 points):
   a. Proven record of a clearly defined philosophy incorporating strong discipline, innovation and consistency of investment process;
   b. Historical performance of Funds managed;
   c. Research capabilities;
   d. Experience managing a number of Funds whose total assets are greater than $1 billion; and
   e. An investment style that best fits the desired portfolio structure.

2. Personnel - 20% (200 points):
   a. Consistency of the management and investment team;
   b. Investment qualifications of key personnel assigned to the Fund account;
   c. Experience with the management of public funds and results of reference checks; and
   d. Ability to communicate at both the professional and lay levels.

3. Administration - 10% (100 points):
   a. Strength of portfolio administration, trading, accounting, securities lending and other administrative capabilities;
   b. Ability to monitor, reconcile, and analyze portfolio performance on a quarterly basis; and
   c. Reporting/presentation procedures and capabilities.

4. Cost – 20% (200 points):
   Cost must be quoted in basis points and will be evaluated according to the formula below. The cost score will be adjusted for any best and final offers that are received. Only the finalists will be allowed to make best and final offers:

   Score = Lowest cost proposal X (200)
   Individual manager’s cost proposal
INTRODUCTION

The Oklahoma Tobacco Settlement Endowment Trust Fund (the "Fund") is a permanent trust fund, established under Article X, Section 40, of the Oklahoma Constitution (approved by the voters in 2000), for the collection and investment of monies received by the state of Oklahoma (and allocated by the legislature) pursuant to any settlement with or judgment against any tobacco company.

This policy statement is issued for the guidance of fiduciaries, including the members of the Board of Investors (the "Board"), investment managers and consultants responsible for investing the assets of the Fund.

The Board, both upon their own initiative and upon consideration of the advice and recommendations of the investment managers and other fund professionals involved with the assets, may amend policy guidelines. Proposed modifications should be documented in writing to the Board.

STATEMENT OF GOALS AND OBJECTIVES

This statement of investment goals and objectives is to set forth an appropriate set of goals and objectives for the Fund’s assets and to define guidelines within which the investment managers may formulate and execute their investment decisions.

The Board recognizes two competing objectives: maximizing long-term growth of the fund and maximizing current income that can be spent by the Board of Director's on cessation and health programs. Long-term growth of the trust fund is measured in this Investment Policy Statement by the expected return of the fund. Current income available for spending is measured herein by yield on the portfolio. Given the conflict between these objectives, the Board adopts the following goals.

1. The primary goal of the fund is to maximize current income while maintaining and enhancing the real value of the fund in the long-run, in a manner consistent with prudent investment management.

2. The Fund currently operates under constitutional and statutory restrictions which limit distributions and spending from the Fund. Annual certified earnings are measured by the dividends and interest of the Fund, less fees to manage the fund, from the beginning to the end of the previous fiscal year. Within these restrictions, the Board of Directors makes the specific spending decisions for the Fund. The Board of Investors will seek to invest in strategies that will allow for maximum, stable, predictable annual earnings distributions while not reducing the real purchasing power of the fund.

3. Total return, as used herein, includes income plus realized and unrealized gains and losses on Fund assets. In addition, assets of the Fund shall be invested to ensure that principal is preserved and enhanced over time. The Board seeks to limit and control risks which jeopardize the safety of principal and, to prohibit investments that are not prudent.
4. The long-term goal of the Fund is a real rate of return (expected return minus inflation) of at least 4.5% per year and a real rate of growth of the fund corpus (expected return minus yield and inflation) of at least 0.5% per year so as to protect the purchasing power of assets. As of the date of the revision of the investment policy statement, the nominal target return is 7.5% per year assuming an annual inflation rate of 3.0%.

5. The total return for the overall Fund shall meet or exceed the Fund’s Policy Index (as described in Appendix I).

6. Total risk exposure and risk-adjusted returns will be regularly evaluated and compared with the objectives of the fund.

7. Investment managers’ return shall exceed the return of the designated benchmark index noted below and rank in the top-third of the appropriate asset class and style universe returns. Passive managers shall match the return of the designated index.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
<th>Asset Class Universe</th>
<th>Style Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Large Cap Equity (Growth,</td>
<td>Russell 1000 Growth or</td>
<td>Equity Funds</td>
<td>ICC Large Cap Equity Funds (or style</td>
</tr>
<tr>
<td>Value)</td>
<td>Value Index</td>
<td></td>
<td>specific universe)</td>
</tr>
<tr>
<td>Domestic Fixed Income</td>
<td>Lehman Aggregate</td>
<td>Fixed Income</td>
<td>ICC Domestic Fixed Income Funds</td>
</tr>
<tr>
<td>Domestic Small/Mid Cap Equity</td>
<td>Russell 2500 Index</td>
<td>Small/Mid Cap Equity Funds</td>
<td>NEPC Small/Mid Cap Equity Funds (or equivalent)</td>
</tr>
<tr>
<td>International Equity*</td>
<td>MSCI ACWI ex-US Index*</td>
<td>International Equity Funds</td>
<td>ICC International Equity Funds</td>
</tr>
<tr>
<td>Domestic High Yield Fixed</td>
<td>ML US BB-B Index</td>
<td>High Yields Funds</td>
<td>ICC High Yield Funds</td>
</tr>
<tr>
<td>Senior Secured Direct Lending</td>
<td>LIBOR + 5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income Absolute Return</td>
<td>T-Bills + 2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. The Board is aware that there may be deviations from these performance targets. Normally, results are evaluated over a three to five year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Fund for Items 1 through 6 above.
INVESTMENT GUIDELINES

The overall capital structure targets and permissible ranges for eligible asset classes are detailed in Appendix I.

Full discretion, within the parameters of the guidelines described herein, is granted to the investment managers regarding the asset allocation, the selection of securities, and the timing of transactions.

1. Equity investments, i.e., common stocks, convertibles, warrants, deposit receipts and rights are permitted; subject to the guidelines in Appendix I. While managers are expected to keep funds allocated to them fully invested, equity specialists may vary equity commitment from 90% to 100% of assets under management.

2. Domestic and Foreign fixed income investments are permitted, subject to the guidelines in Appendix I, and may include U.S. Government and Agency obligations, corporate bonds, and other securities deemed appropriate by the investment managers.

3. The minimum quality rating of any fixed income issue purchased in the domestic core fixed income portfolio shall be BB as rated by Moody’s, or an equivalent rating agency, and the overall weighted average quality shall be AA or higher. The ratings in this Policy Statement are minimum guidelines only; the investment managers are responsible for making an independent analysis of the credit worthiness of securities and their suitability as investments regardless of the classifications provided by rating agencies.

4. The minimum quality rating for any fixed income securities purchased into the designated high yield portfolio shall be single B, as rated by Moody’s, or the equivalent rating agency. The overall weighted average quality of the dedicated high yield portfolio shall be BB or higher.

5. The overall weighted average quality of the Global Fixed Income Absolute Return allocation shall be BBB- or higher. At least 30% of the portfolio will be investment grade.

6. The effective duration (interest rate sensitivity) of an actively managed fixed income portfolio shall not exceed seven years.

7. Securities of an individual issuer, excepting the U.S. government and agencies and sovereign nations and their agencies, shall not constitute more than 6% of an investment manager’s portfolio at any time, at market value, unless the security constitutes more than 6 % of the managers benchmark, in which case such holding shall not exceed the index holding by more than 3%.

8. Investment managers may maintain reserve and cash equivalent investments. However, these investments should be made on the basis of safety and liquidity, and only secondarily by yield available. Such securities shall carry the equivalent of S&P
A1 or A2 ratings.

9. Senior Secured loans shall have an average loan to value ratio of at least 40%. No loan shall constitute more than 10% of the portfolio at time of initial investment.

**Investment Guidelines for International Equity**

10. The fund is permitted to invest in Canada.

11. The International fund will not hold more than 10% of the net asset value in investments outside the countries in the MSCI ACWI ex US index. Individual non-ACWI ex US country allocations will be limited to 10% of the net asset value.

12. The International fund may effect transactions between the fund and any other client of the Investment Manager provided that the interests of the clients are best served in such transactions ("cross trades")

13. The International fund may effect transactions in new issues or offers for sale of securities (including those where the prices may be subject to stabilization).

14. Investment Manager is permitted to carry out spot transactions.

The fund will not borrow cash; however, it will allow temporary overdrafts pending settlement of transactions.

1. **Ineligible Investments** Unless specifically approved by the Board, certain securities, strategies and investments are ineligible for inclusion within the Fund. Among these are: Derivative instruments, unless previously approved by the Board by policy.

2. Securities issued by companies engaged in the manufacture of tobacco products. This includes any company which is a signatory to the Master Settlement Agreement to which the State of Oklahoma is a party. A list of these companies, as updated periodically, is available on the website of the National Association of Attorneys General at http://www.naag.org/Tobacco/pdffiles/ParticipatingManufacturerslist.pdf. It shall also include tobacco manufactures identified and reported by the Investor Responsibility Research Center ("IRRC").

3. Lettered, legend or other so-called restricted stock.

4. Commodities

5. Straight preferred stocks and non-taxable municipal securities should not normally be held unless pricing anomalies in the marketplace suggest the likelihood of near-term capital gains when normal spread relationships resume.

6. Short sales, unless part of a hedging strategy or market neutral equity account.

7. Direct investments in private placements, real estate, oil and gas and venture capital.
Spending Policy

The Board of Directors has the discretion to decide how and when to spend earnings from the Fund as certified by the Board of Investors. The Board of Investors will provide liquidity in the Fund to meet these withdrawals.

Investment managers should assume that withdrawals might be made from the Fund from time to time to meet distribution needs. The Board will endeavor to provide ample notice of any material withdrawals.

Investment managers will be given adequate notice of cash needs and an estimation of the liquidity requirements from their funds. They will be expected to manage their funds to provide for anticipated withdrawals without impairing the investment process.

Proxy Voting

Responsibility for the exercise of ownership rights through proxy solicitations shall rest solely with the investment managers, who shall exercise this responsibility strictly for the benefit of the Fund. Managers shall annually report to the Board standing policies with respect to proxy voting, including any changes that have occurred in those policies. Additionally, investment managers shall provide a written annual report of the proxy votes for all shares of stock in companies held in the Funds investment program. These reports shall specifically note and explain any instances where proxies were not voted in accordance with standing policy.

Directed Commissions

Investment managers shall use their best efforts to ensure that portfolio transactions are placed on a "best execution" basis. Additionally, arrangements to direct commissions shall only be implemented by specific authorization of the Board.

Securities Lending

The Board may engage their custodian or other financial institution to act as securities lending agent. Securities lending should be managed to gain an incremental return while protecting principal and not impeding the operation of the managed investment accounts. Securities lending agent shall:

1. Provide indemnification against borrower default.
2. Have written agreements with each borrower prior to engaging in securities lending activities.
3. Lending shall be fully collateralized and securities should not be lent before acceptable collateral valued at 102% of domestic securities and 105% of international securities lent is received.
4. Lending agent shall monitor collateral at least daily and ensure that any necessary calls for additional collateral are made and that collateral is received in a timely basis.
5. Lending agent shall regularly review and monitor their approved borrowers to minimize risk.
Acceptable collateral shall include cash, securities issue by US Government or its agencies or instrumentalities, and irrevocable letters of credit from issuers with short term debt ratings of at least (A-1) by S&P or (P-1) by Moody’s and an (A) long term debt rating. No more than 5% of securities on loan will be subject to the letter of credit of a single financial institution.

Lending agent shall selecting prudent investments for collateral based on thorough evaluation of all risks including market, interest rate, concentration risk, and credit risk. Acceptable collateral investments include:

1. Securities issued or fully guaranteed by the US Government and any agency instrumentality or establishment of the United States government.

2. High grade commercial paper, notes, bonds and other debt obligations including promissory notes, funding agreement and guaranteed investment contracts. Quality must be rated (A-1) by S&P or (P-1) by Moody’s if maturing within one year and S&P A or Moody’s A2 if maturing beyond one year.

3. Asset-Backed securities which carry the highest credit rating by S&P or Moody’s whose underlying assets are restricted to automobile credit and credit card receivables.

4. Fully collateralized repurchase agreements with respect to approved investments with approved counterparties where the collateral is held by the agent or for the account by an agent or sub-custodian of agent or a third party bank, depository or a third party custodian. Agent shall only use counterparties that have a short-term debt rating of (A-1) which are diversified securities broker-dealers who are members of the National Association of Securities Dealers or bank or savings and loan association having $5 billion in assets and based on credit review of the lending agent.

Collateral shall not be invested in leveraged securities or derivates. The aggregate mismatch of loans and investments shall be less than 45 days. Maturity of fixed rate investments shall be 1-year and maximum maturity of floating rate investments shall be 3-year provided that the reset period does not exceed 3 months. Issuer diversification shall be limited to 5% per issuer except for US government and agency securities. Overnight liquidity shall be at least 15% of portfolio.

Hiring Investment Managers

When the Board selects investment managers to manage assets of the Fund, factors to be considered shall include, but not be limited to, the stability of the investment organization, staff and client base, consistency of the investment process, style and philosophy, competitiveness of risk and return versus indices and peers, and reasonableness of fees.

Terminating Investment Managers

The Board can terminate investment managers based on significant changes to the organization, staff and client base, significant changes to the investment process, style and philosophy, underperformance over the long term versus benchmarks and peer group results, significant non-compliance with investment guidelines, ownership change of a firm, or other factors deemed appropriate by the Board.
ROLES AND RESPONSIBILITIES

Board of Investors

The Board of Investors shall be responsible for the overall management of the Fund. The Board shall review the total investment program, shall establish the investment policy and provide overall direction to the State Treasurer's Office, the Investment Consultant and retained investment managers in the execution of the investment policy. The Board is responsible for evaluating, hiring, and terminating investment managers, custodian banks, transition managers, and consultants.

Investment Consultant

The Investment Consultant shall assist the Board in developing and modifying policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long-term asset allocation and the appropriate mix of investment manager styles and strategies. The Consultant shall assist the Board by monitoring compliance with this Investment Policy. The Consultant shall also provide assistance in manager searches and selection, and in investment performance calculation, evaluation, and analysis. The Consultant shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Board. The Consultant shall monitor the Board's investment managers and notify the Board of any material changes in the investment managers' firms or their staffing.

Investment Managers

The duties and responsibilities of each of the investment managers retained by the Board include:

1. Managing the Fund’s assets in accordance with the policy guidelines and objectives expressed herein.
2. Prudently selecting investments based on thorough evaluation of all risks including market, interest rate, and credit risk.
3. Meeting with the Board at their request. Each manager shall report to the Board and the Investment Consultant as outlined in Appendix II. Quarterly reports should be submitted in writing within 30 days of the end of each quarter.
4. Working with the custodian bank and the Investment Consultant to verify monthly accounting and performance reports.
5. Acknowledging in writing to the Board the investment manager’s intention to comply with this Statement as it currently exists or as modified in the future.

Custodian Bank

In order to maximize the Fund’s return, no money should be allowed to remain idle. Dividends, interest, proceed from sales, new contributions and all other monies are to be invested or reinvested promptly. Custodian should temporarily place funds in a fully collateralized interest bearing bank account or any of the short term money market vehicles commonly used for funds awaiting investment distribution. Securities lending shall only be
engaged in by the custodian or third party lending agent with the express agreement of the Board.

The custodian bank(s) will be responsible for performing the following functions:

1. Accept daily instructions from designated staff.
2. Notify investment managers of proxies, tenders, rights, fractional shares or other dispositions of holdings.
3. Resolve any problems that designated staff may have relating to the custodial account.
4. Safekeeping of securities.
5. Timely collection of interest, dividends, and processing and filing foreign tax reclaims.
7. Processing of all investment manager transactions.
8. Collection of proceeds from maturing securities.
9. Disbursement of all income or principal cash balances as directed.
10. Providing monthly statements by investment account and a consolidated statement of all assets.
11. Working with the investment consultant and the Fund’s accountant to ensure accuracy in reporting.
12. Provide written statements revealing monthly reconciliation of custody and investment managers’ accounting statements.
13. Monitor compliance with policy against investment in tobacco manufacturers.

**Securities Lending Agent**

The securities lending agent will be responsible for managing the securities lending program including the following functions:

1. Arrange terms and conditions of securities loans.
2. Monitor the market value of the securities lent and mark to market at least daily and ensure that any necessary calls for additional collateral are made and that such collateral is obtained on a timely basis.
3. Lending agent will direct the investment of cash received as collateral provided such investments are consistent with guidelines provided in this document.

**OTHER CONSIDERATIONS**

It is the intent of the Board to revise this statement of goals and objectives to reflect modifications and revisions to the Fund, which may develop from time to time. It is also the policy of the Board to review these goals and objectives at least once per year and to communicate any material change thereto to the investment managers.

This policy statement is prepared to provide appropriate guidelines for the investment managers, consistent with the Fund’s return objectives and risk tolerances. Should any investment manager believe that the guidelines are unduly restrictive or inappropriate, the Board expects to be advised accordingly.
IMPLEMENTATION

All monies invested for the Fund by its investment managers after the adoption of this 
Investment Policy shall conform to this policy. The Investment Policy statement was 
adopted by the Board of Investors of the Oklahoma Tobacco Settlement Endowment Trust 
Fund at their meeting on November 17, 2010 replacing the previous policy dated August 12, 
2009.

Approved By: ____________________________________________

Date: ___________________

** The investment policy statement of the Oklahoma Tobacco Settlement Fund has been 
amended on the following dates:

    December 1, 2010**International Benchmark is effective December 1, 2010
    November 17, 2010
    August 12, 2009
    August 13, 2008
    June 18, 2007
    February 14, 2007
    February 17, 2005
    November 10, 2004
    August 13, 2004
    June 17, 2004
    February 12, 2004
    August 21, 2003
    May 14, 2002
APPENDIX I

Oklahoma Tobacco Settlement Endowment Trust Fund

ASSET ALLOCATION POLICY

In order to have a reasonable probability of achieving the target return at an acceptable risk level, to reduce the risk of losses resulting from over-concentration of assets, and providing a stable level of earnings distributions, the Board has adopted the asset allocation policy outlined below. The actual asset allocation will be reviewed on a quarterly basis and will be readjusted when an asset class weighting is outside its target range.

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>TARGET WEIGHT (%)</th>
<th>TARGET RANGE (%)</th>
<th>TARGET BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITY</td>
<td>45</td>
<td>40 – 50</td>
<td>Russell 1000</td>
</tr>
<tr>
<td>Large Cap</td>
<td>25</td>
<td>20 – 30</td>
<td>Russell 1000</td>
</tr>
<tr>
<td>Small-Mid Cap</td>
<td>5</td>
<td>2 – 8</td>
<td>Russell 2500</td>
</tr>
<tr>
<td>International</td>
<td>15</td>
<td>10 – 20</td>
<td>MSCI ACWI ex-US</td>
</tr>
<tr>
<td>FIXED INCOME</td>
<td>40</td>
<td>35 – 45</td>
<td>Lehman Aggregate</td>
</tr>
<tr>
<td>Domestic Fixed</td>
<td>30</td>
<td>25 – 35</td>
<td>Merrill Lynch US BB-B</td>
</tr>
<tr>
<td>High-Yield</td>
<td>10</td>
<td>8 – 12</td>
<td>90-Day T-Bill + 2%</td>
</tr>
<tr>
<td>Global Fixed Income Absolute</td>
<td>10</td>
<td>8 – 12</td>
<td>90-Day T-Bill</td>
</tr>
<tr>
<td>Return</td>
<td></td>
<td></td>
<td>LIBOR +5%</td>
</tr>
<tr>
<td>Senior Secured Direct Lending</td>
<td>5</td>
<td>2 – 8</td>
<td>90-Day T-Bill</td>
</tr>
<tr>
<td>CASH</td>
<td>0</td>
<td>0 – 5</td>
<td>90-Day T-Bill</td>
</tr>
</tbody>
</table>

The Fund’s Policy Index is a custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth in this investment policy statement. It is useful in separating the impact of investment policy from execution of the investment strategy in evaluating the performance of the Fund's investment program.

The Policy Index is calculated by multiplying the target commitment to each asset class by the rate of return of the appropriate market index, as listed above, on a monthly basis.

REBALANCING POLICY

General. The purpose of this rebalancing policy is to establish a framework of discipline and decision-making. A form of systematic asset allocation has been chosen which the Board believes can be implemented reasonably effectively within the organization structure of this Fund.

Overall Fund Allocation
1. The system of asset allocation rebalancing to be utilized involves a target asset mix around which variance is allowed within prescribed limits. Rebalancing will be effected when a limit is reached or exceeded. In addition to monitoring target and actual allocations quarterly, the Board will formally review the policy and actual allocations in light of anticipated cash flows at the last meeting prior to the receipt of the annual contribution.

2. The following rebalancing procedure will be employed by the Fund:

The Investment Consultant will report asset class exposures to the State Treasurer, or his/her designee, at the end of each calendar quarter. If the percentage of the Funds assets allocated to an asset class has reached or exceed the asset class’s target range, the following action shall take place. After giving consideration to Consultant recommendations concerning which Manager(s) should lose and/or gain assets, the State Treasurer, or his/her designee, may cause assets to be shifted between managers so as to bring the asset allocation of the "out of range" asset class back to its appropriate target. Such action shall be reported to the Board at their next scheduled meeting. In order to accomplish a required rebalancing with as little transaction cost as is reasonably possible, the State Treasurer, or his/her designee, is authorized to take into account any cash flows which are anticipated to occur within a reasonable period of time (generally three months or less). Examples of such cash flows would be a contribution to the Fund from the State or a Manager termination.

Allocation among Equity Styles

1. The Board, with the assistance of its Consultant(s), will from time to time establish target allocations and allowable ranges for each equity style.

2. Rebalancing of the allocation among equity styles is desirable: If rebalancing of the Funds overall asset allocation (described above) is required, the general policy will be to rebalance among equity style weightings in such a way as to restore the balance of styles within an asset class. The State Treasurer, or his/her designee, will consider Consultant recommendations on this issue. No manager on the Hold List (a designation which indicates significant concern about a Manager's performance, process or organization) shall receive additional assets.

3. These actions shall be reported to the Board at its next scheduled meeting.

TRANSITION MANAGEMENT POLICY

General. The purpose of this transition management policy is to establish an effective and efficient procedure for transitioning assets during manager replacement, funding a new asset class, or investing contributions to the Fund.

As timing is a key factor in realizing the benefits of transition management, the Board has approved the following abbreviated selection process:

Step 1. Creating List of Approved Providers: The Investment Consultant will create a list of potential providers for review. The Investment Consultant will then create a list of recommended providers. The Investment Consultant will specify whether each recommended provider is recommended for transitions involving fixed income only, equity only, or multiple asset classes.

Step 2. Board of Investors Reviews and Approves Lists of Providers: Annually, the Board of Investors will review the list of reviewed providers and the list of providers recommended by the Investment Consultant. The Investment Consultant will provide education on each of the recommended providers as requested. The
Investment Consultant will also provide information regarding potential providers who were not recommended as requested. The Board of Investors may add potential providers to or delete potential providers from the recommended lists before adopting final approved provider lists. The Board of Investors will review the approved provider lists annually.

Step 3. Board of Investors Approves Prudent Use of Transition Management. Annually, the Board of Investors will approve the prudent use of transition management and empower the State Treasurer, or his or her designees, to solicit and evaluate pre-trade analyses and select a Transition Manager as further described below.

Step 4. The State Treasurer, or his or her designees, and the Investment Consultant May Determine Vendor for Each Specific Transition: The State Treasurer and/or designated staff may select the appropriate provider off of the approved provider list through a competitive bid process in which pre-trade analyses are solicited from at least two of the approved providers. As each transition (and transition manager) is unique with particular strengths and weaknesses, the Investment Consultant and the State Treasurer and/or designated staff will consult to discuss which of the providers on the short list should be solicited for bids. At a meeting held pursuant to the Open Meeting Act, a winning manager may be selected based on cost as well as fit for the particular transition according to the State Treasurer and/or designated staff and Investment Consultant’s advice. Upon review of the pre-trade analyses and the Investment Consultant’s advice, the State Treasurer and/or designated staff may determine not to proceed with Transition Management if it does not make sense to do so.

Step 5. The State Treasurer, or his or her designees, and the Investment Consultant Present Post-Trade Results to the Board of Investors: The transition manager will provide post-trade analytics that describe the trading process and results. This will be made available to all involved to review the success of the transition.
APPENDIX II

Oklahoma Tobacco Settlement Endowment Trust Fund

INVESTMENT MANAGER REPORTING REQUIREMENTS

As Necessary (based on occurrence and on a timely basis)

1. Review of Organizational Structure
   A. Organizational changes (i.e., ownership).
   B. Discussion of any material changes to the investment process.
   C. Departures/additions to investment staff.
   D. Material changes in assets under management for the product managed on behalf of the Fund and for total firm.

Monthly Performance Reporting to Investment Consultant

Quarterly

1. Summary of Investment Guidelines
   A. Discuss adherence to guidelines.
   B. Comments, concerns, or suggestions regarding the policy statement.

2. Performance Review
   A. Present total fund and asset class returns for last calendar quarter, year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.
   B. Discuss performance relative to benchmarks; provide attribution analysis that identifies returns due to allocation and selection decisions, as appropriate.
   C. Provide portfolio characteristics relative to benchmark.

3. Provide Portfolio Holdings
   A. Present book value and current market value.
   B. List individual securities by sector, as appropriate.

4. Other Comments or Information

Annually

1. Review of Investment Process and Evaluation of Portfolio Management Process
   A. Brief review of investment process.
   B. Investment strategy used over the past year and underlying rationale.
   C. Evaluation (in hindsight) of strategy’s appropriateness.
   D. Evaluation of strategy’s success/disappointments.
   E. Current investment strategy and underlying rationale.
Objectives

This derivatives policy statement identifies and allows common derivative investments and strategies which are consistent with applicable law and the Investment Policy Statement and requires investment managers to petition for the inclusion of additional derivative instruments and strategies. The guidelines also require investment managers to follow certain controls, documentation and risk management procedures.

Definition and Classification of Derivatives

A derivative is a security or contractual agreement that derives its value from some underlying security, commodity, currency, or index. These guidelines classify derivatives into four separate categories distributed across two classes: derivative contracts and derivative securities:

1. Derivative Contracts
   A. Forward-based derivatives, including forward contracts, futures contracts, swaps, and similar instruments
   B. Option-based derivatives, including put options, call options, interest rate caps and floors, and similar instruments

2. Derivative Securities
   A. Collateralized Mortgage Obligations (CMOs)
   B. Structured Notes

Allowed Uses of Derivatives

1. Derivative Contracts
   A. Hedging. To the extent that the non-derivative component of a portfolio is exposed to clearly defined risks and derivative contracts exist which can be used to reduce those risks, the investment managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures, subject to the documentation requirements below.
   B. Creation of Market Exposures. Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class, provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.
   C. Management of Country and Asset Allocation Exposure. Managers charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for this purpose.
2. Derivative Securities
   A. "Plain Vanilla" CMOs. For the purpose of this policy, we will define a "plain vanilla" CMO as one which satisfies one or both of the following criteria: i) It passes the Federal Financial Institutions Examination Council (FFIEC) test; ii) It can be shown that the CMO is less exposed to interest rate and prepayment risk than the underlying collateral.
   B. Other CMOs. CMOs, which are not plain vanilla, are restricted to 10% of a manager's portfolio.
   C. Structured Notes. Structured notes may be used so long as the exposure implied by their payment formula would be allowed if created without use of structured notes.

Prohibited Uses of Derivatives

Any use of derivatives not listed in section C is prohibited without written approval of the Investment Committee. Investment managers are encouraged to solicit such approval if they believe the list in section C is too restrictive. By way of amplification, it is noted that the following two uses of derivatives are prohibited:

1. Leverage. Derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
2. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

Transaction-Level Risk Control Procedures and Documentation Requirements

For each over-the-counter derivative transaction, except foreign exchange forward contracts, investment managers are required to demonstrate compliance with their best execution policies and procedures, and, when feasible, will obtain at least two competitive bids or offers. For small-issue CMOs, it is acceptable to obtain competitive prices on similar securities.

For all derivatives transactions, investment managers should maintain appropriate records to support that all derivative contracts used are employed for allowed strategies. In addition, the following requirements apply to derivative securities:

1. "Plain Vanilla" CMOs
   Document that the CMO is in fact "plain vanilla", according to the definition in section C.2.a.
2. Other CMOs
   These CMOs must be stress tested to estimate how their value and duration will change with extreme changes in interest rates. An extreme change is one of at least 300 basis points.
3. Structured Notes
   Document that note does not create exposures which would not be allowed if created without derivatives.

Portfolio-Level Risk Control Procedures and Documentation Requirements
1. Counterparty Credit Risk
Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have commercial paper credit ratings of at least A1 or equivalent rating.

2. Ongoing Monitoring of Risk Exposures
The duration and other risk exposure limits specified in the managers’ guidelines are expected to be satisfied on an ongoing basis. Thus, managers must monitor changing risk exposures. Fixed income managers investing in CMOs should pay particular attention to the changing duration of their CMOs, and should anticipate potential changes in duration at the time CMOs are purchased so that interest rate and prepayment rate changes do not inadvertently move the portfolio out of compliance.

3. Valuation of Holdings
The investment managers and custodian shall provide the Investment Committee with their pricing policies including a list of sources used. The Investment Committee should be notified of any exceptions to these policies. The custodian is required to obtain prices independent of the manager, or to notify the Investment Committee that independent prices are not available. The investment managers are required to reconcile the valuations of all derivatives positions with the custodian not less than monthly.

4. Quarterly Reporting
Each manager using derivatives shall submit within thirty days of the end of each quarter a report with the following information:
A. A list of all derivative positions as of quarter-end.
B. An assessment of how the derivatives positions affect the risk exposures of the total portfolio.
C. An explanation of any significant pricing discrepancies between the manager and custodian bank.
D. An explanation of any events of non-compliance.
E. For managers of commingled funds, a list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

Guidelines for Use of Pooled Funds which Employ Derivatives

Mutual funds and other types of commingled investment vehicles provide, under some circumstances, lower costs and better diversification than can be obtained with separately managed fund pursuing the same investment objectives. However, commingled investment funds cannot customize investment policies and guidelines to the specific needs of individual clients. The Investment Committee is willing to accept the policies of such funds in order to achieve the lower costs and diversification benefits of commingled funds.

Therefore commingled investment vehicles are exempt from all policies specified above except F.4.e if:

1. The investment practices of the commingled fund are consistent with the spirit of this derivatives policy, and are not significantly different in letter.
2. The benefits of using a commingled vehicle rather than a separate account are material.
I. PURPOSE

The following language describes the circumstances under which the Oklahoma Tobacco Settlement Endowment Trust Fund ("the Fund") shall require the disclosure of payments to Placement Agents in connection with the Fund’s investments with external investment managers. External investment managers is a broad term which includes investment managers, general partners, and sponsors of hedge funds, private equity funds, real estate funds and other closed-end investment vehicles. The adoption of this policy requires broad, timely and updated disclosure of all Placement Agent relationships, compensation and fees. In the event the external investment manager utilizes a fund of funds approach, Placement Agent disclosure will only be required at the fund level, not of each underlying fund.

This Policy is to be applied to all agreements with external investment managers after the date this addendum is approved. It will also apply to existing external investment managers if, after approval, agreements are amended to extend the length of the agreement, renegotiate fees, increase the commitment of funds or change the agreement in a substantial way. In the event such amendments to the original agreement are made, the disclosure provisions of this Policy will apply to the amendment and not to the original agreement.

II. GOALS

Disclosure of all Placement Agent relationships, compensation and fees is intended to provide:

1. Transparency and confidence in the Fund’s investment decision-making without concerns of impropriety.

2. Supplemental information to the Fund’s Board members, Staff and Consultants when evaluating investment opportunities.

3. Investment decisions that are consistent with the Statement of Investment Policy.

III. RESPONSIBILITIES

A. Each of the Fund’s external investment managers are responsible for:

1. Providing the following information (subsequently referred to as the "Placement Agent Information Disclosure") to the Fund’s Staff and its Consultant at the time investment discussions are initiated:
a. A statement disclosing whether the external investment manager’s principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with investments being considered or those that have already been made by the Fund (in the event there is a change to the existing agreement).

b. A resume for each officer, partner or principal of the Placement Agent detailing the individual’s education, professional designations, regulatory licenses, and investment experience. If any of these individuals is a current Board member, Staff member or employed by the Consultant, or this is applicable to any of these individual’s immediate family members, this will be specifically noted.

c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the value, timing, and nature of the compensation.

d. A description of the services to be performed or that are currently being performed by the Placement Agent and a statement as to whether the Placement Agent is utilized with all prospective clients or a subset of prospective clients.

e. Copies of any and all agreements between the external investment manager and the Placement Agent.

f. The names of any Fund Board members, Staff or Consultants who suggested the retention of a Placement Agent.

g. A statement that the Placement Agent (or any of its affiliates, if applicable) is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association and the details of such registration.

h. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.

2. Providing updates of any changes to any of the information included in the Placement Agent Information Disclosure within 14 calendar days of the date that the external investment manager knew or should have known of a change in the information originally provided.

3. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final
written agreement between the external investment manager and the Fund with a continuing obligation to update any changes in accordance with Appendix A of this Policy.

B. The Fund’s Staff is responsible for all of the following:

1. Providing external investment managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or with respect to amendments to agreements with current investments.

2. Confirming that the Placement Agent Information Disclosure has been received prior to the completion of any due diligence and before any recommendation is made regarding prospective investments or amendments to agreements with current investments.

3. Declining the opportunity to retain or initiate an investment with an external investment manager if the Placement Agent Information Disclosure reveals that a Placement Agent was employed that is not registered with either the Securities and Exchange Commission or the Financial Industry Regulatory Association.

4. Securing in the final written agreement between the Fund and the external investment manager the following remedies in the event it is discovered that the external investment manager knew or should have known about any material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy:
   
   a. Whichever is greater, the reimbursement of any management or advisory fees for two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent; and

   b. The authority to terminate immediately the investment management contract or other agreement with the external investment manager without penalty, to withdraw without penalty from the limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (and paying any fees on these uncalled commitments) to the limited partnership, limited liability company or other investment vehicle.

5. Confirming that the final written agreement between the Fund and the external investment manager states that the external investment manager shall be solely responsible for, and the Fund shall not pay for (directly or indirectly), any fees, compensation or expenses for any Placement Agent used by the external investment manager.
6. Prohibiting any external investment manager or Placement Agent from soliciting new investments from the Fund for a two year period after commitment of a material violation of this Policy.

7. Providing a copy of the Placement Agent Information Disclosure to the Board whenever decisions to invest in external investment managers are up for approval or whenever decisions to amend current external investment manager agreements are up for approval.

8. Compiling a quarterly report containing the names and amount of compensation agreed to be provided to each Placement Agent by each external investment manager as reported in the Placement Agent Information Disclosures, and providing the report to the Board.

9. Reporting to the Board at least quarterly any material violations of this Policy.

C. External investment managers shall comply with this Policy and cooperate with Staff in meeting their obligations under this Policy.

D. Only the Board can provide exceptions to this Policy and any such exceptions granted shall be reported to the public within 45 days.
APPENDIX V

Glossary of Investment Terms

144(a) Securities - 144a securities are in concept semi-private placement securities that are normally traded by sophisticated institutional investors with limited financial information on the issuing company. SEC rule 144a exempts issuers from SEC registration requirements. While not legally required to file with the SEC, issuers normally do provide some sort of documentation describing the issue and financial information about the issuing company.

Accrual Basis Accounting - As opposed to cash basis accounting, this values assets based upon accrued changes in values, not actual cash flows. For example, dividends are included in the portfolio value (i.e. accrued) as of the ex-dividend date, rather than the payment date (or the declaration date).

Active Management - A form of investment management which involves buying and selling financial assets with the objective of earning positive risk-adjusted returns.

AIMR - The Association for Investment Management and Research is the umbrella organization for the two big investment management advisers groups, the Institute of Chartered Financial Analysts and the Financial Analysts Federation. This organization administers the annual examinations for the CFA designation and also publishes industry guidelines for performance measurement reporting and calculations. AIMR instituted a standardized performance reporting format on January 1, 1993.

Alpha - A statistical measurement to determine whether a portfolio of securities in which a fund has invested is priced as would be expected, given the funds beta. If the alpha of a fund is zero, the portfolio is priced as would be expected. If its alpha is greater than zero, the portfolio is priced higher than could be expected, and vice versa.

Alternative Investments - These generally refer to institutional blind pool limited partnerships, which make private debt and equity investments in privately held companies, as well as hedge funds, and other publicly traded derivatives-based strategies.

Asset Allocation - The process of determining the optimal allocation of a funds portfolio among broad asset classes.

Benchmark Portfolio - A portfolio against which the investment performance of an investment manager can be compared for the purpose of determining the value-added of the manager. A benchmark portfolio must be of the same style as the manager, and in particular, similar in terms of risk.

Best Execution - This is formally defined as the difference between the strike price (the price at which a security is actually bought or sold) and the fair market price which involves calculating opportunity costs by examining the security price immediately after the trade is placed. Best execution occurs when the trade involves no opportunity cost, for example when there is no increase in the price of a security shortly after it is sold.
**Beta** - A statistical measure of the volatility, or sensitivity, of raters of return on a portfolio or security in comparison to a market index. The beta value measures the expected change in return per one percent change in the return on the market. For example, if the beta of a portfolio is 1.5, a 1 percent increase (decrease) in the return of the market will result, on average, in a 1.5 percent increase (decrease) in the return of the portfolio.

**Bottom-up Analysis** - An approach to valuing securities which first involves analyzing individual companies, then the industry, and finally the economy and overall capital market.

**Capitalization-weighted Market Index** - A method of calculating a market index where the return of a security (or group of securities) is weighted by the market value of the security (or group of securities) relative to total value of all securities.

**Commingled Fund** - An investment fund that is similar to a mutual fund in that investors purchase and redeem units that represent ownership in a pool of securities.

**Commission Recapture** - An agreement by which a fund sponsor earns credits based upon the amount of brokerage commissions paid. These credits can be used to reduce commission costs or for service which will benefit the fund, such as consulting services, custodial fees, or software expenses.

**Core Bond** - A fixed income investment strategy, which approximates the investment results of the Lehman Government/Corporate Bond Index with a modest amount of variability in duration around the index. The objective is to achieve value added from sector or issue selection.

**Core Equity** - An investment strategy where the portfolios characteristics are similar to that of the S&P 500 Index, with the objective of adding value over and above the index, typically from sector or issue selection.

**Correlation Coefficient** - A statistical measure similar to covariance, in that it measures the mutual variation between two variables. The correlation coefficient is bounded by the values -1 and +1.

**Covariance** - A statistical measure of the mutual variation between two variables.

**Derivative** - A financial derivative is a security that derives its value from a more fundamental financial security such as a stock or bond. For example, the value of a stock option depends upon the value from the underlying stock. Because the stock option cannot exist without the underlying stock, the stock option is derived from the stock itself.

**Duration** - A measure of the average maturity of the stream of interest payments of a bond. The value of a given bond is more sensitive to interest rate changes as duration increases, i.e. longer duration bonds have greater interest rate volatility than shorter duration bonds.

**Dollar-weighted Measurement** - In calculating summary statistics, a process by which performance measures are weighted by the dollar amounts of assets in each time period.
**Economically-targeted Investment** - Investments where the goal is to target a certain economic activity, sector or area in order to produce corollary benefits in addition to the main objective of earning a competitive risk-adjusted rate of return.

**Efficient Market** - A theory that posits that a security’s market price equals its true investment value at all times since all information is fully and immediately reflected in the market price.

**Efficient Portfolio** - A portfolio that offers maximum expected return for a given level of risk or minimum risk for a given level of expected return.

**ERISA** - The Employee Retirement Security Act, signed into law in September 1974. ERISA established a strict set of fiduciary responsibilities for corporate pension funds, and some states have adopted the ERISA provisions for public plans. It is recommended that public pension plans use the ERISA regulations as guidelines for managing the funds assets in a procedurally prudent manner.

**Exchange Traded Funds (ETF)** - ETFs are registered, open-ended unit investment trusts that invest in a basket of stocks designed to track the performance of a given index. However, like a closed-end fund, investors buy shares in ETFs from another shareholder on the open market rather than from a fund company.

**Fiduciary** - Indicates the relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person.

**Funding Risk** - The risk that anticipated contributions to the fund would not be made.

**Geometric Returns** - A method of calculating returns which links portfolio results on a quarterly or monthly basis. This method is best illustrated by an example, and a comparison to *arithmetic returns*, which does not utilize a time link. Suppose a $100 portfolio returned +25% in the first quarter (ending value is $125) but lost 20% in the second quarter (ending value is $100). Over the two quarters the return was 0%, and the method of calculating the geometric return would indicate this. However, the arithmetic calculation would simply average the two returns: (25%)(.5) + (20%)(.5) +2.5%.

**Growth Equity** - Managers who invest in companies that are expected to have above average prospects for long-term growth in earnings and profitability.

**High Yield** - A fixed income investment strategy where the objective is to obtain high current income by investing in lower rated, higher default-risk fixed-income securities. As a result, security selection focuses on credit risk analysis.

**Index Fund** - A passively managed investment in a diversified portfolio of financial assets designed to mimic the performance of a specific market index.

**Interest Rate Risk** - The uncertainty in the return on a bond caused by unanticipated changes in its value due to changes in the market interest rate.

**Investment Policy Statement** - The statement of policy is the communication of a risk policy to the fund’s investment manager(s). It states unambiguously the degree of investment risk which fiduciaries are willing to undertake with fund trust assets.
statement of investment policy differs importantly from a statement of investment objectives. An investment policy prescribes acceptable courses of action; a policy can be acted upon, implemented. An investment objective (such as a performance standard) is a desired result. A manager cannot implement an objective; he can only pursue a course of action, consistent with investment policy, which he believes offers a reasonable likelihood of realizing the objective.

**Lehman Brothers Aggregate Index** - Is composed of securities from Lehman Brothers Government/Corporate Bond Index, Mortgage-Backed securities Index and Yankee Bond Index and is generally considered to be representative of all unmanaged domestic, dollar denominated fixed-rate investment grade bonds with maturities greater than one year.

**Liquidity** - In general, liquidity refers to the ease by which a financial asset can be converted into cash. Liquidity is often more narrowly defined as the ability to sell an asset quickly without having to make a substantial price concession.

**Liquidity Risk** - The risk that there will be insufficient cash to meet the funds disbursement and expense requirements.

**Manager Structure** - The identification of the type(s) of managers to be selected within each broad class of assets.

**Marked to the Market** - The daily process of adjusting the value of a portfolio to reflect daily changes in the market prices of the assets held in the portfolio.

**Market Risk** - See Systematic Risk.

**Market Timing** - A form of active management that shifts funds between asset classes based on short-term expectations of movements in the capital markets.

**Money Markets** - Financial markets in which financial assets with a maturity of less than one year are traded.

**Nominal Return** - The nominal return on an asset is the rate of return in monetary terms, i.e., unadjusted for any change in the price level. The nominal return is contrasted with the real return that is adjusted for changes in the price level.

**Passive Management** - For a given asset class, the process of buying a diversified portfolio that attempts to duplicate the overall performance of the asset class (i.e. the relevant market index).

**Performance Attribution** - The identification of the sources of returns for a security or portfolio over a particular time period.

**Proxy Voting** - A written authorization given by a shareholder to someone else to vote his or her shares at a stockholders annual or special meeting called to elect directors or for some other corporate purpose.

**Purchasing Power Risk** - The risk that a portfolio will earn a return less than the rate of inflation, i.e., a negative real return.
Quartile - Grouping of statistics in four equal sections. Performance measurement results are commonly grouped into "quartiles;" that is, first quartile would include those funds ranking from one to 25 in a sample of 100 funds.

Real Return - An inflation adjusted return. See NOMINAL RETURN.

Risk-adjusted Return - The return on an asset or portfolio, modified to explicitly account for the risk of the asset or portfolio.

R-squared (R²) - Formally called the coefficient of determination, this measures the overall strength or explanatory power of a statistical relationship. In general, a higher R² means a stronger statistical relationship between the variables that have been estimated, and therefore more confidence in using the estimation for decision-making.

Russell 1000 <Large> Stock Index - An unmanaged index of the largest 1000 companies ranked by market capitalization.

Sharpe Ratio - This statistic is a commonly used measure of risk-adjusted return. It is calculated by subtracting the risk-free return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting excess return by the portfolio's risk level (standard deviation). The result is a measure of return gained per unit of risk taken. The higher the Sharpe ratio, the better the funds historical risk-adjusted performance.

Small Capitalization - Managers who invest in equities of companies with relatively small capitalization. The cut-off point for small capitalization varies from manager to manager, but on average targets firms with capitalization of $750 million to $2Billion.

Socially targeted Investment - An investment that is undertaken based upon social, rather than purely financial, guidelines.

Soft Dollars - The portion of a funds commissions expense incurred in the buying and selling of securities that is allocated through a directed brokerage arrangement for the purpose of acquiring goods or services for the benefit of the fund. In many soft dollar arrangements, the payment scheme is affected through a brokerage affiliate of the investment consultant. Broker-investment consultants servicing smaller plans receive commissions directly from the counseled account. Other soft dollar schemes are affected through brokerages that, while acting as the clearing/transfer agent, also serve as the conduit for the payment of fees between the primary parties to the directed fee arrangement.

Specific Risk - The part of a security's total risk that is not related to movements in the market and therefore can be diversified away.

Standard Deviation - A statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risks. If returns were normally distributed (i.e. has a bell shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.
Strategic Asset Allocation - Rebalancing back to the normal mix at specified time intervals (quarterly) or when established tolerance bands (e.g., + and -10%) are violated.

Style Universe - A predetermined group of active managers chosen to have an investment style comparable to a manager selected by the fund.

Systematic Risk - The part of a security’s total risk that is related to movements in the market and therefore cannot be diversified away.

Tactical Asset Allocation - closely related to a strategy of market timing, this strategy uses certain indicators to make adjustments in the proportions of a portfolio invested in stocks, bonds, and cash.

Time-weighted Return - A method of measuring the performance of a portfolio over a particular period of time. It is the cumulative compounded rate of return of the portfolio, calculated on each date that cash flow moves into or out of the portfolio.

Top-down Analysis - An approach to valuing equities which first looks at the economy and overall capital market, then industries, and finally individual firms.

Value Equity - Managers who invest in companies believed to be undervalued or possessing lower than average price/earnings ratios, based on their potential for capital appreciation.
APPENDIX B

OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST FUND
BOARD OF INVESTORS REQUEST FOR PROPOSALS (RFP)
FOR
INVESTMENT MANAGEMENT SERVICES
INTERNATIONAL EQUITY
ACKNOWLEDGMENT OF RECEIPT FORM

The undersigned acknowledges that he/she has received a complete copy of RFP No. **08-05 (NEPC RFP No. 08-053)**, beginning with the title page and ending with the Questionnaire. This acknowledgment of receipt should be signed and returned to the contact person (see below) no later than 4:30 PM, EST on **XXXXX XX, 20XX**. Only offerors who elect to return this form and who intend to respond will receive copies of all offeror written questions and the Board’s written responses to those questions.

FIRM: __________________________________________

ADDRESS: __________________________________________

________________________________________

PHONE #: _______________ FAX # _________________

EMAIL ADDRESS: __________________________________________

REPRESENTED BY: __________________________________________

TITLE: __________________________________________

SIGNATURE: _____________________________ DATE: __________

Return this form to:
Jennifer O’Brien
New England Pension Consultants (NEPC)
900 Veterans Boulevard
Redwood City, CA 94063
E-Mail: jobrien@nepc.com
In accordance with 74 O.S. § 85.22, of lawful age, being first duly sworn, on oath, says:

1. (S)he is the duly authorized agent of , the offeror submitting the competitive proposal which is attached to this statement, for the purpose of certifying the facts pertaining to the existence of collusion among offerors and between offerors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached;

2. (S)he is fully aware of the facts and circumstances surrounding the making of the proposal to which this statement is attached and has been personally and directly involved in the proceedings leading to the submission of such proposal; and

3. Neither the offeror nor anyone subject to the offeror’s direction or control has been a party:

   a. to any collusion among offerors in restraint of freedom of competition by agreement to propose at a fixed price or to refrain from offering,

   b. to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other terms of such prospective contract, nor

   c. in any discussions between offerors and any state official concerning exchange of money or other thing of value for special consideration in the letting of a contract. In accordance with 74 O.S. § 85.42.B., the offeror further certifies that no person who has been involved in any manner in the development of that contract while employed by the State of Oklahoma shall be employed to fulfill any of the services provided under said contract.

Signature Date
Printed Name Title
State of
County of
Subscribed and sworn to before me this day of    , 20 .
My Commission Expires:  
Notary Public
Appendix D

Supplemental Questionnaire

E-mail your responses to jobrien@NEPC.com
Please reference the search id number and your company name in the e-mail subject.
The entire supplemental questionnaire responses should not exceed 6 pages

1. Provide a complete history of your firm, including any changes in ownership.

2. Describe the current form of ownership (including a percentage breakdown of ownership of major shareholders).

3. If your firm is employee-owned, discuss how the equity is distributed, and what, if any, plans your firm has to further distribute equity to your key professionals.

4. Please describe in detail how your portfolio managers, research analysts, traders, economists, and other investment professionals are compensated. Also, discuss any non-compete clauses that exist for your firm's key professionals.

5. If your firm has any financial relationships with other organizations such as insurance companies, brokerage firms, investment banking companies or mutual fund companies, please describe the relationships and their benefit to your service as an investment advisor.

6. If your organization is a broker affiliate, indicate the percentage of your annual gross commissions generated through your affiliation. Describe how your firm executes its trades.

7. Provide details on the financial condition of your firm. Most recent annual reports filed with the SEC are acceptable, but any material changes should be included.

8. Discuss your firm's plans for future growth.

9. Please provide a list of all of your investment offices, describing their functions.

10. Describe the levels (dollar amounts) of coverage for SEC-required fidelity bonds, errors and omissions coverage and any other fiduciary coverage that your firm carries. List the insurance carriers that supply the coverage.
11. Describe how you ensure best execution, as well as your soft dollar policy.

12. Describe your firm's internal controls that are designed to ensure compliance with our clients' investment policies and ERISA's prohibited transaction provisions.

13. Describe your firm's ethics policy. If available, provide a copy of your firm's code of ethics/conduct. Describe controls in place designed to limit potentially harmful activities of your firm's traders and other investment professionals.

14. Describe in detail any litigation/regulatory action (past, current and pending) against your firm or any of its principals. Describe the nature of the allegation(s), and any settlements or judgments rendered. Also describe any enforcement actions taken against your firm, its officers and directors, and investment professionals.

15. Please provide a complete list and description of all of your firm's performance composites.

16. If applicable, detail your proxy voting process.

17. Provide a copy of your firm's ADV, Forms I & II. The ADV must be provided with each quarterly update.

18. Please describe your competitive advantages in managing a MSCI ACWI ex-US.
Appendix E

Investment Manager Agreement (Example)

An Investment Management Agreement (Agreement) between the Board of Investors of the Oklahoma Tobacco Settlement Endowment Trust Fund (Board) and XXXXXXXXXXXX, XXX, a XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX (Manager).

I. RECITALS.

   a. Definitions

      i. “Account” means the account established hereunder with Manager on behalf of the Board containing assets of the Fund allocated to the Manager. The assets allocated to the Account include all interest, earnings, accruals and capital growth thereon, without limiting the Board’s discretion to add or withdraw assets.

      b. “Authorized Person” means any person or entity, jointly or severally authorized in writing delivered to Manager, to act on behalf of the Board, with respect to any action required or permitted to be taken under this Agreement.

      c. “Board” means the Board of Investors of the Oklahoma Tobacco Settlement Endowment Trust Fund, a constitutionally created board created by Article X, Section 40 of the Oklahoma Constitution, to administer and manage the Fund.

      d. “Fund” is the Oklahoma Tobacco Settlement Endowment Trust Fund created by Article X, Section 40 of the Oklahoma Constitution.

      e. “Instructions” means written and manually signed instructions of any Authorized Person. Instructions shall also include instructions received by any other means, including, but not limited to, oral instructions, or instructions received by computer, electronic instructions system or telecommunications terminals, such as telex, TWXS, facsimile transmission or bank wire, provided that the parties hereto shall have agreed in a manually signed writing to the form, the means of transmission and the means of identification of such Instructions.

      f. “Manager” or “XXXXXXXX” means XXXXXXXXXXXXXXX, a XXXXXXXXXXXXXXXXXXXXX company, registered as an Investment Adviser with the Securities and Exchange Commission pursuant to the Investment Advisers Action of 1940, as amended (the “Advisers Act”), and which has been selected and appointed by the Board to manage the assets of the Fund in the Account.
g. “Master Custodian” means the Board’s designated custodian bank, at which the Board shall establish a Sub-account in Manager’s name for transactions involving the assets allocated to Manager by the Board for investment and management.

h. “OST” means the Oklahoma State Treasurer’s office which is statutorily required to provide staff support to the Board by 62 O.S. 2001, Section 2306(G).

i. “Policy” means the Investment Policy Statement established and adopted by the Board, attached hereto as Exhibit A, as may be amended from time to time.

j. “Sub-account” means the account(s) which the Board shall establish with its Master Custodian in Manager’s name for the deposit of the assets and the accounting of transactions related thereto, separately from the Board’s other assets.

k. “Transition Period” means a period of up to three (3) months following the termination date of this Agreement during which Manager continues to perform those services required under this Agreement in order to complete any transactions pending on the termination date and to facilitate an orderly transition of investment management services.

1.2 The Board hereby appoints Manager as a fiduciary authorized to invest and manage certain Fund assets of the Account which the Board, in its sole discretion, may from time to time allocate to Manager. Manager has been duly selected and appointed by the Board, after a competitive selection process, on XX XX, 20XX. By execution of the Agreement Manager accepts such appointment, assumes full responsibility for the investment and management of the Account and agrees to execute its duties according to the terms, conditions and standards set forth in this Agreement.

1.3 Manager acknowledges that it is a fiduciary with respect to the Fund, and asserts that it is registered and/or licensed pursuant to the rules and regulations of the Oklahoma Securities Commission if applicable, and all applicable state and federal laws. Manager shall discharge its duties under this Agreement solely in the interest of the Fund with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

1.4 It is understood that XXXXXXXXXXXXXXX and its affiliates provide investment management and advisory services for other clients, including registered investment companies. It is further understood that XXXXXXXX or its affiliates may take investment action or give advice on behalf of such other clients which differs from investment action taken on behalf of the Account. If a purchase or sale of securities or other assets for multiple client accounts is deemed by XXXXXXXX to be advisable and is considered at or about the same time,
and XXXXX is unable to purchase or sell the amount of securities or other assets in the aggregate amount than contemplated by XXXXXXX on behalf of the client accounts, the transaction in such securities or other assets will be allocated among the client accounts contemporaneously purchasing or selling as deemed equitable by XXXXXXXXX and its affiliates.

1.5 The Board has selected Manager to act as a XXXXXXXXXXXXXXX manager. The asset class for the Account is “XXXXXXXXXXXXXX”. The specific style benchmark for Manager on the Account shall be the XXXX XXXX. For performance measurement purposes the Peer Group Universe shall be other XXXXXXXXXX managers. Manager shall not be exempt from any of the provisions of the Policy attached as Exhibit A.

II. RELATIONSHIP BETWEEN THE BOARD AND MANAGER

2.1 The Board has negotiated and entered into this Agreement with Manager for itself according to the Board’s duty to administer the Fund. Manager is an independent contractor who has entered into this Agreement as an investment manager for the assets of the Fund and is not, nor is intended to be, the employee of the Board in the performance of this Agreement.

2.2 Nothing in this Agreement is intended to be construed, or be deemed to create any rights or remedies in any third party, including but not limited to another investment manager.

2.3 The Board shall instruct its Master Custodian to: (a) establish a separate custody Sub-account on its books and records in the Manager’s name, (b) maintain the Sub-account in a manner that enables the Master Custodian to account for the assets in the Account and any transactions thereto, separately from the Board’s other assets, and (c) to accept instructions from the Manager. It is expressly understood and agreed that ownership of the assets in the Account shall remain with the Fund at all times and under all circumstances.

III. MANAGER’S DUTIES AND RESPONSIBILITIES

3.1 Manager shall provide investment management services and other related services as specified in this Agreement. In that respect, all right, title and interest in and to the assets shall at all times be vested in the Fund. All assets held in the Account hereunder shall be kept with the same care as Manager exercises in respect of its own assets.

3.2 As fiduciary, Manager shall have the discretion to manage, invest and reinvest the assets in the Account according to the terms of this Agreement and the Policy of the Board.

3.3 Manager agrees and is authorized as follows:

a. Manager is authorized to invest the Fund assets in the Account, subject to the written Policy of the Board and pursuant to the
Constitution and the statutes of the State of Oklahoma created by Article X, Section 40 of the Oklahoma Constitution. Manager agrees with such assets will be invested pursuant to all terms and conditions herein set forth for the exclusive benefit of the Fund and shall not divert any such assets for any other purpose. Such assets include any income or earnings thereon which Manager shall be directed to reinvest.

b. Manager is authorized to buy, sell, exchange, convey, transfer or otherwise trade any assets held in the Account to the extent permitted and authorized by this Agreement and the Policy of the Board.

c. Manager is authorized to execute in the Fund’s name such ownership and other certificates, documents and contracts as may be required or necessary to carry out the duties and responsibilities established under this Agreement.

d. Manager will provide the Master Custodian with such information as is necessary to settle each transaction.

e. All transactions will be consummated by payment to, or delivery by, the Master Custodian, of all cash and/or securities due to or from the Account.

3.4 Manager shall be responsible for the proper diversification of the assets under its discretion, provided, however, such responsibility is subject to and limited by the Policy attached as Exhibit A to this Agreement. It is understood that the Board is responsible for the overall diversification of the assets of the Fund, and any statutory limitations thereon.

3.5 Manager shall be responsible for voting all proxies which are timely received by the Manager, which proxies are solicited by or with respect to the issuers of securities in which assets of the Fund in the Account may be invested, according to the Proxy Voting guidelines of the Manager. Manager shall issue a report to the Board at least once per year detailing these proxy votes. Manager may place all orders for the execution of portfolio transactions for the Account to such reputable, qualified and financially sound dealers and brokers as Manager in good faith judgment may choose. All portfolio transactions shall be made in the best interest of the Fund, and shall be consistent with the principles of best execution and the Manager’s Statement of Policy on Brokerage Practices. Unless authorized in writing by the Board, Manager shall not act as its own broker at any time. Manager shall issue a report to the Board at least quarterly detailing the brokerage and commissions from the Account. If the Board amends the Policy by adopting a policy or program to direct brokerage services to certain dealers and brokers for the overall benefit of the Fund, Manager shall place orders for the execution of portfolio transactions for the Account, and direct brokerage services in the manner and amount directed by the Board, as reflected in the Policy, subject to the principles of best
Manager’s detailed brokerage policy is attached hereto as Exhibit B.

3.6 Manager will receive reasonable prior written notice of Instructions issued by the Board or an Authorized Person to the Master Custodian of any distributions and transfers of funds held in the Account which may be directed from time to time and Manager shall acknowledge such notices in writing.

3.7 Manager agrees upon reasonable request and at a time mutually agreed upon, to make available to the representatives of the Board any and all records pertaining to the duties and responsibilities under this Agreement.

3.8 Manager shall prepare a monthly report showing information concerning the Account including, but not limited to, the assets and liabilities of the account, a written inventory of the investments and transactions, including the cost, par and market values, the performance of the Account and a reconciliation report. The report shall be provided in a form and manner, and include such additional information, as may be reasonably required by the Board or an Authorized Person. It is the responsibility of the Manager to reconcile with the Master Custodian any and all discrepancies in reports. It is the responsibility of Manager to reconcile with the Master Custodian any and all discrepancies in cash and holdings in the reports. Such report will be prepared within fifteen (15) business days of the succeeding month’s end.

3.9 Manager shall meet with the Board annually to present its reports on the performance of the Account. In addition, at the Board’s request and at mutually agreed upon times, Manager shall meet with the Board as requested to discuss any action with respect to the Account, including a review of performance or to discuss present and future investment strategy. Manager shall be available to answer questions by the Board, its consultant or an Authorized Person from time to time as needed, without additional charge.

3.10 The Board considers it an essential fiduciary duty of the Manager to immediately provide the Board and OST by telephone, fax or overnight mail, and in written reports, a complete and candid disclosure of bankruptcies or corporate actions that could result in near or total loss to the Fund.

3.11 Manager warrants Managers’ critical operational business systems currently are Year 2000 compliant. Manager represents that it has completed and filed with the SEC its ADV where applicable, and will provide the Board with a copy.

3.12 The Client Appointment letter, attached hereto as Exhibit C confirms the appointment of XXXXXXXXXXXXXX as investment manager and shall serve as evidence of such appointment and of the discretionary authority granted to XXXXXXXXXXXXXX by the Board as set forth in the Agreement and any amendments hereto. The Client Appointment
does not confer any greater authority on XXXXXXXXXXXX than is set forth in the Agreement and any amendments hereto.

3.13 Manager shall not knowingly employ, during the period of this contract or any extensions to it, any professional personnel who are also in the employ of the Oklahoma State Treasurer or the State of Oklahoma, and who are providing services related to this contract or services similar in nature to the scope of this contract with the Board. Furthermore, Manager shall not knowingly employ, during the period of this contract or any extensions to it, any state employee who has participated in the drafting of this request for proposal or evaluation of the proposals, until at least one year after such person’s termination of employment with the State Treasurer or the State of Oklahoma. Also Manager warrants that they have made no political contributions to Oklahoma state office holders.

3.14 Manager warrants that all persons assigned by it to the performance of this contract shall be employees of Manager (or specified subcontractor) and shall be fully qualified to perform the work required. Manager shall include a similar provision in any contract with any subcontractor selected to perform work under this contract. Failure of Manager to provide qualified staffing at the level required by the proposal specifications may result in termination of this contract for cause.

IV. THE BOARD’S DUTIES AND RESPONSIBILITIES

4.1 The Board agrees to pay Manager compensation pursuant to the provisions of Exhibit D attached hereto and made a part of this Agreement.

4.2 The Board shall, from time to time, provide Instructions which indicate the person or persons authorized to direct Manager with respect to the assets held in the Account and any actions identified in this Agreement. Manager may conclusively rely upon any Instructions of such Authorized Person which Manager reasonably believes to be genuine, correct and to be signed, sent or made by an Authorized Person, until Instructions revoking the authority of such person are received.

4.3 The Board represents that the Policy complies with any applicable law, statute, or regulation and any terms and conditions of the Fund or its supporting documents.

4.4 SECURITIES CLASS ACTION CLAIMS. The Board acknowledges that the Board’s Master Custodian will be responsible for evaluating and making recommendations regarding securities litigation claims involving securities held in the Investment Account. Investment Manager shall assist the Master Custodian in evaluating such securities litigation claims, as reasonably requested in writing, but the Investment Manager will not be responsible for filing claims.
4.5 The Board hereby acknowledges receipt of Manager’s Form ADV, Part II at least 48 hours prior to the effective date of this Agreement pursuant to Rule 204-3 under the Advisers Act.

V. DISPUTE RESOLUTION

5.1 The Board and Manager agree that their authorized representatives will timely meet and negotiate in good faith to resolve any problems or disputes that may arise in performance of the terms and provisions of this Agreement.

VI. INDEMNIFICATION

6.1 Manager shall indemnify, defend and hold harmless the Board, its officers, its agents (the term “agents” as used herein shall exclude broker/dealers, custodians and third party service providers), its fiduciaries other than Manager, OST and its employees and agents, from and against any and all claims, damages, losses, liabilities, suits, costs, charges, expenses (including, but not limited to, reasonable attorney fees and court costs), judgments, fines and penalties, of any nature whatsoever, to the extent attributable to any bad faith, negligence, or willful misconduct, breach of fiduciary duty, breach of contract, or violation of any material legal duty or requirement by Manager acting in connection with this Agreement. This indemnification shall survive any termination of this Agreement.

Notwithstanding the preceding sentences, nothing in this section 6.1 is intended to or shall impose a liability on the Manager as a result of a breach of this Agreement or applicable law by the Board, its officers, its agents or its fiduciaries in circumstances where the Manager has met its obligation under the Agreement and applicable law.

6.2 Notwithstanding any other provisions of this Agreement, neither the Board nor Manager shall be held liable for any losses to the Account rising from causes beyond the control and without the fault of such party, provided that, in every case, the failure to perform must be beyond the control and without the fault or negligence of such party.

6.3 Without limiting the indemnification obligations provided in this Agreement, for the duration of the Agreement, Manager shall provide and maintain, at its own expense, errors and omissions insurance policies, and shall provide evidence of such to the Board.

VII. TERM AND TERMINATION

7.1 This Agreement shall commence XXXXXXX XX, 20XX and remain in effect until terminated by either the Board or the Manager.

7.2 Either party may terminate this Agreement with or without cause, upon giving 30-day notice pursuant to Section 8.2, at any time. In no event shall the termination of this Agreement pursuant to this Section
be deemed a waiver of either party’s right to make a claim for damages resulting from any default which occurred prior to the termination date.

7.3 Upon any termination of the Agreement by either party, to the extent directed by the Board, Manager shall continue to serve as investment manager, pursuant to the same terms and conditions, for the duration of the Transition Period, as determined and directed by the Board. Manager shall cooperate with the Board in good faith to effect a smooth and orderly transfer of such services, assets and all applicable records.

7.4 Nothing in this Agreement shall be construed to limit either party’s remedies at law or in equity in the event of a material breach of this Agreement.

7.5 Pursuant to the Oklahoma Department of Libraries Consolidated General Records Disposition Schedule dated April 24, 2003, as amended, following termination of this Agreement, the Board shall continue to have access to Manager’s records of services provided under this Agreement for five (5) years from the date of provision of the services to which the records refer; or, if Manager is notified that legal action is pending, two (2) years after exhaustion of all legal remedies, whichever is later.

VIII. GENERAL PROVISIONS

8.1 Assignment. This Agreement or any of the rights, duties, or obligations of the parties hereunder, shall not be assigned by either party without the express written consent and approval of the other party.

8.2 Instructions and Notices.

a. Any Instructions or notice required to be given pursuant to the terms and provisions of this Agreement shall be in writing, postage prepaid, and shall be sent by First Class Mail or by courier, or copier or facsimile and confirmed by First Class Mail, to the Board and/or OST or Manager at the addresses in subsection b., below. The notice shall be effective on the date indicated on the postmark or other indicated date of receipt.

b. The Board and/or OST

Board of Investors of Oklahoma Tobacco Settlement Endowment Trust Fund
c/o Oklahoma State Treasurer
Attn: Travis Monroe
4545 N. Lincoln Blvd., Room 106
Oklahoma City, OK 73105
Telephone No.: 405-522-4232
Fax No.: 405-521-4993
Email: travis.monroe@treasurer.ok.gov
8.3 **Material Changes.** Manager shall notify the Board within 30 days of any of the following changes: (a) Manager becomes aware that any of the representations, warranties and covenants set forth herein or in its Proposal cease to be materially true at any time during the term of this Agreement; (b) there is any material change in Manager personnel assigned to perform services under this Agreement; (c) there is any material change in control of Manager, or (d) Manager becomes aware of any other material change in its business organization, including, but not limited to the filing of bankruptcy relief or other legal suits or actions.

8.4 **Confidential Relationship.** Information provided to the Board or OST by Manager shall become a public record as provided for in the Oklahoma Public Records Act unless otherwise prohibited by federal law.

8.5 **Entire Agreement.** This Agreement, together with Exhibits, contains the entire Agreement between the Board and Manager relating to the rights granted and the obligations assumed by the parties. Any prior agreements, promises, negotiations, or representations, either oral or written, relating to the subject matter of this Agreement not expressly set forth in this Agreement are of no force or effect. The Request for Proposal and Proposal by Manager and, where appropriate, the Policy of the Board are adopted and incorporated into this Agreement.

8.6 **Amendment.** This Agreement, or any part or Section of it, may be amended at any time during the term of the Agreement by mutual written consent of the Board and Manager.

8.7 **Governing Law and Venue.** This Agreement shall be construed and enforced in accordance with the laws of the State of Oklahoma. Should either party initiate a lawsuit or other dispute resolution proceeding over any matter relating to or arising out of this Agreement, such lawsuit or other proceeding shall be filed in and conducted in Oklahoma County, State of Oklahoma.

8.8 **Severability.** The terms and provisions of this Agreement shall be deemed to be severable one from the other, and determination at law or in a court of equity that one term or provisions is unenforceable shall not operate so as to void the enforcement of the remaining terms and provisions of this entire Agreement, or any one of them, in accordance with the intent and purpose of the parties hereto.
8.9 **Fee Guarantee.** Manager agrees that the fee herein for investment management services is the same or lower than fees Manager charges to other clients of similar funds and accounts. In the event Manager agrees to charge any other client a lower fee for management of similar funds or accounts, Manager will reduce its fee to the Board to the same extent. It is Manager’s responsibility to notify the Board of the existence of any fee agreements which are lower than the fees agreed upon herein. The Board reserves the right to ask for periodic fee review reports. The Board shall be entitled to a retroactive fee reduction in the event Manager fails to promptly notify the Board of any lower fee agreements.

This Agreement made and entered into this ______ day of XXXXXXXXXXX, 20XX, by and between the Board of Investors of the Oklahoma Tobacco Settlement Endowment Trust Fund and XXXXXXXXXXXXXXXXX.

**BOARD OF INVESTORS OF THE OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST FUND**

________________________________________

By: Ken Miller, Chairman

Title: Oklahoma State Treasurer

Date: __________________________

XXXXXXXXXXXXXXXXXXXXXXXX

By: __________________________

Title: __________________________

Date: __________________________
AFFIDAVIT

State of __________________ )
) SS:
County of ________________ )

______________________________________ , of lawful age, being first duly sworn, on oath, says that (s)he is the agent authorized by XXXXXXXXXXXX, (Manager), to submit the attached contract to the State of Oklahoma. Affiant further states: (1) Manager has not paid, given or donated or agreed to pay, give or donate to any officer or employee of the State of Oklahoma any money or other thing of value, either directly or indirectly, in the procuring of the contract; (2) Manager has not previously entered into a contract with the agency or other state agencies which would result in a substantial duplication of the final product required by the proposed contract; and (3) Manager certifies that no person who has been involved in any manner in the development of this contract while employed by the State of Oklahoma shall be employed to provide any of the services required by the contract.

______________________________________
AFFIANT

Subscribed and sworn to before me this _______ day of _________________ , 20____.

______________________________________
NOTARY PUBLIC

My Commission Expires __________________________
Commission No. ______________________________