

## INVESTMENT ADVISORY AGREEMENT

This Investment Advisory Agreement (this "Agreement"), made as of this \_\_\_ day of \_\_\_\_\_, 2009, by and between the Illinois State Board of Investment (the "Board") and \_\_\_\_\_ (the "Advisor").

### WITNESSETH

WHEREAS, the Board is duly constituted in accordance with Chapter 40 5/22A of the Illinois Compiled Statutes; and

WHEREAS, Chapter 40, Articles 5/1 and 5/22A of the Illinois Compiled Statutes provides that the Board may appoint one or more investment advisors who shall have the power to manage, acquire or dispose of such portion of the Board's assets as the Board shall determine from time to time; and

WHEREAS, the Board desires to appoint the Advisor as the investment advisor to assume the responsibilities of investment management of the assets contained in \_\_\_\_\_ ("Account") and has retained the State Street Bank and Trust Company as custodian ("Custodian") of such Account and has directed the Custodian to respond to the investment instructions of the Advisor with respect to assets now or hereafter held in the Account.

NOW THEREFORE, in consideration of the mutual premises and agreements herein contained, the Board and the Advisor hereby agree as follows:

1. Appointment of Advisor. The Board hereby appoints Advisor to act as the investment advisor with respect to the assets in the Account. Advisor does hereby accept said appointment and by its execution of this Agreement, Advisor represents that it is duly registered as an investment adviser with the Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940, as amended, (the "Advisers Act") and that Advisor has completed, obtained or performed all other acts, registrations, filings, approvals, authorizations, consents or examinations necessary to comply with the requirements of any government or governmental authority for the performance of the acts contemplated by this Agreement. Advisor also acknowledges that it is a fiduciary with respect to the assets it manages pursuant to this Agreement and assumes the duties, responsibilities and obligations of such fiduciary as defined in the Illinois Compiled Statutes Chapter 40 5/1. Advisor has delivered to the Board a copy of Part II of its Form ADV or comparable Brochure pursuant to the Advisers Act, and the Board acknowledges receipt thereof.

2. Investment Management Services. Advisor shall invest and otherwise manage the assets held by the Custodian in the Account. Responsibility for the investment and management is assigned to Advisor by the Board. Advisor shall have sole discretion with respect to investment of funds in the Account without prior consultation with the Board. Advisor shall however, be bound by such written guidelines for the management of the assets as shall from time to time be provided to Advisor by the Board and acknowledged in writing by Advisor. Schedule A contains a statement of investment policy objectives and guidelines agreed to by the Board and the Advisor. Regarding the management of the Account, Advisor shall only be bound

by investment policy guidelines specifically set forth in Schedule A. The Board may modify this statement in writing at any time and such modified statement shall be effective upon Advisor's written acknowledgment of receipt of such modification. Advisor shall have the authority to select the brokerage firms through which orders will be placed. However, all utilization of internal brokerage services for the buying and selling of Account assets is strictly prohibited. Advisor may combine orders for the Account with orders for other accounts or funds under management. Advisor may utilize soft dollars, to the extent permitted by Section 28(e) of the Securities Exchange Act of 1934 and the SEC's interpretive guidance regarding client commission practices under the Section 28(e) safe harbor. Advisor shall effect all purchases and sales of securities in a manner consistent with the principles of best execution, taking into account net price (including commissions) and execution capability and other services that the broker may provide. Advisor shall issue suitable instructions to the Custodian with respect to deliveries and payments. Any excess cash associated with the Account shall be invested in the Custodian's short term investment fund.

3. Custodian. The Custodian shall retain possession of, and have complete custodial responsibility for, the assets managed by Advisor for the account of the Board. The Board shall cause the Custodian to maintain appropriate records as to the receipt and delivery of securities and the daily composition of the assets managed by Advisor for the account of the Board and to retain certificates representing such securities in a manner that will facilitate prompt effecting of securities transactions. The Custodian will be instructed by the Board to deliver securities sold and pay for securities purchased, including all expenses relating to the purchase and sale of such securities, such as brokerage commissions and transfer taxes, in accordance with copies of confirmations received by the Custodian and, if Advisor so requests, to settle transactions in amounts equal to any executions confirmed even though such an execution may represent only a part of a larger order. The Custodian shall be responsible for obtaining timely delivery of securities and the Board shall direct the Custodian to send copies of settlement advices to Advisor.

4. Liabilities of the Advisor. It is understood that Advisor will be acting in a similar capacity for other institutional and individual customers (including customers with discretionary accounts and customers with whom it may be affiliated) and that investments and reinvestments for the Board's account may differ from those made or recommended with respect to the accounts and customers even though the investment objectives may be the same or similar. Advisor shall have responsibility with respect to the tendering of securities or interest coupons in response to offers, calls or redemptions or with respect to the exercise of conversion rights, subscription rights or other options relating to the portfolio. The presence of exculpatory language in this Agreement shall not be deemed by the Board, Advisor or any other party appointed pursuant to this Agreement, including without limitation, the Custodian, or any successor custodian, as in any way limiting causes of action and remedies that may, notwithstanding such language, be available to the Board either under common law or statutory law principles applicable to fiduciary relationships or under applicable securities laws.

5. Directions to the Advisor. All directions by or on behalf of the Board to Advisor shall be in writing signed either by the Executive Director, the Deputy Director or the Senior Portfolio Manager. Advisor shall be fully protected in relying upon any direction given in accordance with the previous sentence and shall be so protected in relying upon the certification

of the Secretary of the Board as to the Executive Director, the Deputy Director and the Senior Portfolio Manager and in continuing to rely upon such certification until a subsequent certification is filed with Manager. All information regarding the operations and investments under this Agreement shall be regarded as confidential by Advisor. Notwithstanding the foregoing, Advisor can include information regarding this account in aggregate performance data of Advisor that does not identify the Board.

6. Reports. Advisor shall furnish the Board with quarterly or monthly, if requested, written investment reports showing all investments in the account, valued as of the close of business on the last business day for the period covered by the statement together with an analysis of the investment results.

7. Management Fees. Advisor will be compensated for its services, provided in accordance with the terms of this Agreement in such manner and amount as may be agreed to by the Board and Advisor and set forth in Schedule B to this Agreement. One quarter of the annualized fee shall be billed quarterly in arrears to the Board, based on the average market value, utilizing the closing business day of each month in that quarter. Market value, as reported by the Custodian, including accrued income, will be determinative for the purpose of calculating fees. Any deposits or withdrawals initiated by the Board during the billing quarter shall be prorated to the effective date. Such amount shall be the sole compensation owing by reason of investment advisory services under this Agreement. The fee for services for any period less than a full calendar quarterly period will be pro-rated on a daily basis on the annualized fee for the period and on the market value of the portfolio as described on the final date of such period.

Advisor shall provide the Board with full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the Advisor in connection with the provision of services to the Board. Manager shall update the disclosure promptly after a modification of those payments or an additional payment.

8. Terms of Agreement. This Agreement shall commence on the date hereof and shall continue until it is terminated by either party hereto upon thirty (30) days written notice to the other; provided that the Board may at any time without prior written notice order Advisor to cease activity, subject to its obligation to complete execution of directions or instructions already acted upon. Such order may be communicated orally subject to immediate written confirmation to Advisor.

9. Amendment. This agreement may be amended at any time by mutual agreement in writing executed by the Board and Advisor.

10. Governing Law. Advisor shall comply with all applicable laws of the State of Illinois and the United States of America, and any governmental or regulatory authority outside of the United States. Regulatory reports required under laws applicable to Advisor by any regulatory authority shall be the responsibility of the Advisor.

11. Notice. All notices required by this Agreement will be properly given five (5) days following U.S. mail, return receipt requested, or immediately if delivered in person or sent by facsimile, if addressed to the respective parties as follows:

- (a) to the Advisor:
  
- (b) to the Board:  
Illinois State Board of Investment  
General Counsel/ Chief Compliance Officer  
Emily A. Reid  
180 North LaSalle Street, Suite 2015  
Chicago, Illinois 60601  
(312) 793-5712  
(312) 793-2266 (fax)
  
- (c) to the Custodian:  
State Street Bank and Trust Company  
Vice President, Client Services  
Maria Luce  
State Street Financial Center  
One Lincoln Street, 19<sup>th</sup> Floor  
Boston, MA 02111-2900  
(617) 664-9426  
(617) 769-6737 (fax)

12. Proxy Voting. The Board shall direct the Custodian in voting of all proxies and Advisor shall have no responsibility in respect of the voting of proxies.

13. Miscellaneous.

(a) Advisor certifies that it has not been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois, nor has it made an admission of guilt of such conduct which is a matter of record.

(b) Advisor certifies that Advisor did not retain a person or entity to influence (i) the outcome of the investment decision made by the Board with respect to Advisor or (ii) the procurement of investment advice or services by the Board with respect to Advisor, for compensation, contingent in whole or in part, upon the decision or procurement.

(c) No party may assign this Agreement, in whole or in part, nor delegate except as contemplated herein all or part of the performance of duties required of it by this Agreement without the prior written consent of the other party, and any attempted assignment or delegation without such consent shall be void.

(d) Advisor agrees that in the event Advisor enters into an investment advisory agreement for the same investment management strategy with any other client in which

a lower asset based fee schedule is in effect, then the Board shall be entitled to an equal arrangement. The foregoing does not apply to investment advisory agreements where Advisor acts in a sub-advisory capacity. Advisor will on an annual basis (i) certify to the Board that more favorable fees are not effective between any other client with the same investment management strategy and (ii) disclose (and if requested, document) the fee schedules for the ten (10) clients with the same investment management strategy and closest in asset value to the Board (with the closest five (5) clients with higher and lower asset values being included, to the extent applicable).

(e) If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

(f) Advisor and the Board each represents to the other that it is duly authorized and fully empowered to execute, deliver and perform this Agreement.

(g) Advisor certifies that it has not been barred from entering into this Agreement as a result of a violation of Section 33E-3 or Section 33E-4 of the Illinois Criminal Code of 1961.

(h) Advisor shall maintain, for a minimum of 5 years after the completion of this Agreement, adequate books, records and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with this Agreement. This Agreement and all books, records, and supporting documents related to this Agreement shall be available for review and audit by the Auditor General; and Advisor agrees to cooperate fully with any audit conducted by the Auditor General and to provide full access to all relevant materials. Failure to maintain the books, records and supporting documents required by this Agreement shall establish a presumption in favor of the State of Illinois for the recovery of any funds paid by the State of Illinois under this Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.

(i) Advisor certifies that \_\_\_\_\_ is its correct tax identification number and that the Advisor is doing business as a \_\_\_\_\_.

(j) Any amount of compensation due according to the terms of this Agreement for which an appropriation is required and for which no appropriation has been enacted by the Illinois General Assembly and signed into law by the Governor shall not be due and payable and this Agreement shall become null and void as to such compensation unless and until the required appropriation is made.

(k) If Advisor retains any subcontractors to perform any portion of the work hereunder, then Advisor shall promptly provide notification, in writing, to the Board. Advisor shall also disclose the names and addresses of all subcontractors and the expected amount of money each will receive under the contract. The term "subcontractors" will not be construed to include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services,

services used to track compliance with legal standards, and investment fund of funds where the board has no direct contractual relationship with the investment advisers or partnerships.

(l) Advisor certifies that neither it, nor any of its affiliates, is participating or shall participate in an international boycott in violation of the provisions of the United States Export Administration Act of 1979 or the regulations of the United States Department of Commerce promulgated thereunder.

(m) Advisor certifies that neither it, nor any of their affiliates (as defined in the Illinois Procurement Code), are delinquent in the payment of any debt to the State of Illinois and are not barred from entering into this Agreement under Sections 50-11 or 50-12 of the Illinois Procurement Code. Further, Advisor acknowledges that the Board may declare this Agreement void if the certification completed pursuant to this section is false or if the Advisor, or any of its affiliates (as defined in the Illinois Procurement Code), is determined to be delinquent in the payment of any debt to the State of Illinois during the term of this Agreement.

(n) Advisor certifies that is has not committed a willful or knowing violation of the Environmental Protection Act, is not barred from doing business with the State of Illinois under 30 ILCS 500/5-14 and acknowledges that the Client may declare the Agreement void if this certification is false.

(o) Advisor certifies that during the five years prior to the date of this Agreement, no officer, director, partner or other managerial agent of the Advisor has been convicted of a felony under the Sarbanes-Oxley Act of 2002 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953. Advisor acknowledges that the Board shall declare this Agreement void if this certification is false.

(p) Advisor represents and warrants to the Board that it is registered as an investment adviser under the Investment Advisers Act of 1940.

(q) Advisor acknowledges that it is a “fiduciary” with respect to the Account assets within the meaning of Article 1 of the Illinois Compiled Statutes, Chapter 40, Act 5; warrants that none of the disqualifications described in Section 411 of ERISA apply to the Advisor; and specifically agrees to perform its duties under this Agreement 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 an enterprise of like character and with like aims.

(r) Advisor shall secure, and maintain throughout the term of the investment advisory relationship with the Board, insurance that satisfies the requirements set forth below and that is provided by insurer(s) rated A- or better by A.M. Best & Company. Investment Advisor shall provide to the Board:

- (1) a copy of the requisite insurance policies upon initiation of the contract;
- (2) an annual certification that the insurance requirements continue to be satisfied; and
- (3) evidence of continued satisfaction of the insurance requirements upon request.

The minimum insurance required for Advisor shall include:

- (4) a bond protecting the Account assets that meets the requirements of, and that is in the amount specified under, ERISA and the regulations thereunder; and
- (5) errors and omissions coverage in an amount equal to the greater of: \$5 million or 5% of the assets under management, up to a maximum of \$10 million of coverage. The errors and omissions insurance shall protect the Account against losses from the negligent acts, errors or omissions of Advisor.

(s) Advisor shall notify the Board in writing within five (5) business days of any material changes in senior officers, senior personnel involved in the management of the Account, ownership, significant legal actions instituted against the Advisor, or any investigations, examinations, or other proceedings commenced by any governmental regulatory agency which is not conducted in the ordinary course of Advisor's business.

(t) Advisor certifies that Advisor and, to the best of its knowledge, Advisor's subcontractors (if any), have complied and will comply with Illinois Executive Order 1-2007.

(u) Advisor certifies that Advisor is not an Illinois Finance Entity as defined by 40 ILCS 5/1-110.10.

(v) Advisor acknowledges that Advisor will be responsible for the Advisor's pro rata share of the purchase cost of the Board's List of Forbidden Entities and List of Scrutinized Companies, both of which implement certain investment restrictions governed by Public Acts 95-521 and 95-616.

(w) Advisor is attaching to this Agreement, as Schedule C, a Certification For Asset Management Companies, in compliance with Public Act 95-521.

(x) Advisor will furnish to the Board, from time to time, such evidence as the Board may reasonably request that it satisfies the foregoing requirements, and shall promptly notify the Board if it has reason to believe that any of the foregoing representations, warranties or covenants may cease to be satisfied. Further, the Board, Staff and Consultant will review Advisor's investment performance on a consistent basis, which review may include written or electronic communications, oral communications, meetings in person and on-site visits with the Advisor, among others.

(y) Advisor acknowledges that a description of this Agreement shall be posted on the Board's website, including the name of the Advisor, the total amount applicable to the Agreement, the total fees paid or to be paid under the Agreement and a disclosure, approved by the Board, describing the factors that contributed to the selection of the Advisor.

(z) Public Act 95-0971

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- (1) Advisor certifies that they are not required to register as a Business Entity with the State Board of Elections pursuant to PA 95-0971 (the Act). Further, Advisor acknowledges that all Contracts between State Agencies and a Business Entity that do not comply with the Act shall be voidable under the Act; or
- (2) Advisor certifies that they have registered as a Business Entity with the State Board of Elections and acknowledges a continuing duty to update he registration pursuant to PA 95-0971 (the Act). Further, Advisor acknowledges that all

Contracts between State Agencies and a Business Entity that do not comply with the Act shall be voidable under the Act.

(aa) Advisor agrees to disclose the names and addresses of: (i) Advisor; (ii) any entity that is a parent of, or owns a controlling interest in, the Advisor; (iii) any entity that is a subsidiary of, or in which a controlling interest is owned by, the Advisor; (iv) any persons who have an ownership or distributive income share in the Advisor that is in excess of 7.5%; or (v) serves as an executive officer of the Advisor.

IN WITNESS WHEREOF, the parties hereto, have executed this Agreement as of the day and year first above written.

ILLINOIS STATE BOARD OF INVESTMENT

By \_\_\_\_\_

By \_\_\_\_\_

By \_\_\_\_\_

By \_\_\_\_\_

By \_\_\_\_\_

**SCHEDULE A**

**INVESTMENT POLICY GUIDELINES**

**SCHEDULE B**

**FEES SCHEDULE**

**SCHEDULE C**  
**SUDAN CERTIFICATION**