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Julio Martinez

ScholarShare Investment Board
Request for Proposals No. SIB 10-16
Investment Consulting Services

Notice to Prospective Bidders

December 15, 2016

You are invited to review and respond to this Request for Proposals No. SIB 10-16 (RFP) for investment consulting services.

In submitting your proposal, you must comply with all instructions in the RFP. The RFP includes the Sample Standard Agreement the winning bidder will be expected to execute. Note that all agreements entered into with the State of California will include by reference General Terms and Conditions and Contractor Certification Clauses that may be viewed and downloaded online at <http://www.dgs.ca.gov/ols/Resources/StandardContractLanguage.aspx>. The General Terms and Conditions are not negotiable. If you do not have Internet access, a hard copy of the RFP can be provided upon request by contacting the person listed below.

All responses to this RFP must be submitted in hard copy and received by SIB no later than **4:00 p.m. Pacific Time on January 20, 2017**. Email or faxed submissions will not be accepted. All proposals must be mailed or delivered to:

ScholarShare Investment Board
915 Capitol Mall, Room 105
Sacramento, California 95814
Attention: Brian Gorban

In the opinion of the ScholarShare Investment Board, this RFP is complete and without need of explanation. However, if you have questions, or should you need any clarifying information, contact Brian Gorban by email at scholarshare@treasurer.ca.gov.

Please note that no *verbal* information given will be binding upon the State unless such information is issued in writing as an official addendum.

The State of California will not contract or otherwise do business - absent a compelling public interest - with publicly-held U.S. expatriate corporations. This policy is designed to ensure that companies with which the State of California does business meet threshold standards of corporate accountability.

On behalf of the ScholarShare Investment Board, thank you for your interest.

Julio Martinez
Executive Director

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- Attachment 3 - Cost Proposal Work Sheet
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- Attachment 9 - Small Business or Microbusiness Preference (if applicable)

- Attachment 10 - Non-Small Business Preference (if applicable)
- Attachment 11 - Target Area Contract Preference Act (TACPA) Preference Program (if applicable)
- Attachment 12 - Securities & Exchange Commission Form ADV or Proof of Exemption from
Registration
- Attachment 13 - Bidder Declaration (GSPD-05-105)

Sample Standard Agreement

- STD 213 - Standard Agreement
- Exhibit A - Scope of Work
- Exhibit B - Budget Detail and Payment Provisions
- Exhibit C - General Terms and Conditions
- Exhibit D - Special Terms and Conditions

A) Purpose and Description of Services – Scope of Work

The ScholarShare Investment Board (SIB or Board) is the administrator of California's 529 college savings plan, the ScholarShare College Savings Plan. SIB is the State agency responsible for the effective and efficient administration of the Golden State ScholarShare College Savings Trust (Trust). As of September 30, 2016, there are over 278,000 ScholarShare accounts with over \$6.9 billion in assets under management.

A qualified investment consultant is needed to assist SIB in its role as fiduciaries to the Trust. The investment consultant would assist SIB with revising (as needed) the statement of investment policy for the Trust and monitoring the investment performance of the ScholarShare program manager(s), currently TIAA-CREF Tuition Financing, Inc. (TFI). The current ScholarShare Statement of Investment Policy (Investment Policy) and Monitoring Procedures and Criteria are provided as Exhibits A-1 and A-2 to the RFP. More information about ScholarShare can be found online at www.scholarshare.com.

Sample Standard Agreement

This RFP includes a Sample Standard Agreement (Sample Agreement) for each Bidder's review. The Sample Agreement contains the language that SIB expects to utilize for this contract. The term of the contract entered into pursuant to this RFP, if any, will be two years with an option at the state's sole discretion to extend for up to one year.

Background

The California Legislature authorized creation of the Trust in 1997 (Education Code Sections 69980-69994 (Act)), intending it to be a "qualified tuition program" as defined in Section 529 (Section 529) of the Internal Revenue Code of 1986, as amended (Code). The Act authorizes Trust investments for a specific beneficiary's advance savings for qualified higher education expenses in a postsecondary educational institution. The Board was established to administer the state's qualified tuition program. In addition, the Board administers the Governor's Scholarship Programs (GSP), which was established in 2000 and rewarded public school students who demonstrated high academic achievement with scholarships.

SIB is the state entity responsible for effective and efficient administration of the Trust. The seven member SIB meets four to five times annually, with additional meetings if deemed necessary. Meetings are generally held in Sacramento, California at the State Treasurer's Office, 915 Capitol Mall, but may be held at other locations.

Scope of Work

The Scope of Work is found in Exhibit A of the Sample Agreement. The contract will be subject to the approval of SIB and the Department of General Services (DGS). In no event shall services be performed prior to the approval of an agreement, if any, by the DGS Office of Legal Services.

The following scope of work details SIB's expectations for an investment consultant. These investment consultant services include the following:

- Under the direction of SIB or its designee, analyze and evaluate asset allocation plans for the Trust based on age groups of its beneficiaries as well as allocation for risk reduction.
- Review and analyze the investment performance of the program manager(s) of the Trust using criteria developed by SIB as well as criteria developed by the program manager(s) or outside consultants. Periodically, there may be additional evaluations comparing ScholarShare investment performance and fees to the performance between the national plans and/or other

529 state plans. Regularly review and propose changes to the Investment Policy and Monitoring Procedures as needed.

- Conduct monthly evaluations of the Trust which compare monthly investment results to appropriate indices and SIB policies, including compliance by the program manager(s) to these policies, and provide evaluations to SIB or its designee within 10 business days of receiving the data from each program manager.
- Advise SIB or its designee of which data should be reported from the program manager(s).
- Provide clarification and assistance to SIB in understanding various investment vehicles and the investment market. This may include providing training seminars, as necessary, on rates of return, investment products, strategies or other fundamental concepts of investing to SIB and its staff.
- Inform the SIB or its designee in the event of significant changes in the investment climate or market conditions that could affect Trust investments.
- Provide general advice, counsel, and recommendations on a variety of investment related matters regarding the Trust including investment personnel, investment strategy, investment portfolio addition or division, as well as overall investment health of the program manager(s), other 529 vendors, and 529 industry issues and trends.
- Participate in the development of request for proposals and subsequent selection process.
- Work with SIB's consultants and program manager(s) if needed.
- Attend SIB meetings unless notified otherwise by the SIB or its designee. It is anticipated that the SIB will meet approximately four times per year.
- Be available to consult with SIB members and the Executive Director from 8:00 a.m. to 5:00 p.m. Pacific Time, Monday through Friday.
- Respond to the need for telephone consultation within a 24-hour period and be available for meetings with SIB with no greater than 10 days' notice.

B) Minimum Qualifications for Bidders

Address the minimum qualifications stated below by completing Attachment 5. Failure to meet these minimum qualifications will cause your proposal to be considered nonresponsive and the proposal will be rejected.

- Bidder must have been actively providing advice on investment options for at least the last five years. Investment expertise must include knowledge and experience in a wide range of investment vehicles, including investments not currently permitted by SIB's Investment Policy.
- Bidder must have been providing consultation to or on behalf of individuals or governmental agencies that have been investing funds totaling at least \$1 billion.
- Bidder must agree in writing to serve as fiduciary with respect to its work.
- Bidder may not currently or during the term of a contract that may be executed pursuant to this RFP have a contractual or other business relationship with any program management services contractor (currently TFI) that provides services for the Trust or any investment manager directing funds in the ScholarShare portfolio, either on its own or in partnership, with other

entities. Ownership of a ScholarShare account does not constitute a business relationship for the purposes of this minimum qualification.

- Bidder must hold and maintain all licenses and registrations required by applicable federal and state laws for businesses offering investment and municipal advisory services. All such licenses and registrations must be current and in good standing.

C) Proposal Requirements and Information

1) Schedule (Key Action Dates)

All Bidders are hereby advised of the following schedule and will be expected to adhere to the required dates and times (all times listed are Pacific Time (PT)).

| Date | Action |
|----------------------------------|---|
| December 15, 2016 | RFP available to Prospective Bidders |
| December 21, 2016, 12:00 p.m. PT | Written Question Submittal Deadline |
| December 28, 2016 | Answers to Written Questions Distributed |
| January 20, 2017, 4:00 p.m. PT | Deadline for Proposal Submission |
| January 23-27, 2017 | Evaluation of Proposals |
| January 31-February 2, 2017 | Oral Interviews (if applicable) |
| February 6, 2017 | Notice of Intent to Award |
| February 13, 2017 | Proposed Award Date |
| April 17, 2017 | Commencement of Contract (pending DGS approval) |

SIB reserves the right to change the above dates and times, and, if so, potential Bidders will be notified via email. SIB also reserves the right not to award an agreement at all.

2) Questions and Answers

In the opinion of SIB, this RFP is complete and needs no further explanation. However, if you have questions, or should you need any clarifying information, contact Brian Gorban by phone at (916) 651-6380 or by e-mail at scholarshare@treasurer.ca.gov. Bidders may submit written questions, if any, no later than by 12:00 p.m. PT on December 21, 2016 by email to scholarshare@treasurer.ca.gov or by fax to (916) 589-2835.

A copy of the responses to all written questions received by 12:00 p.m. PT on December 21, 2016 will be provided to Bidders via email and available online at www.treasurer.ca.gov/scholarshare by close of business on December 28, 2016.

3) Submission of Proposal

- Proposals should provide straightforward and concise descriptions of the Bidder's ability to satisfy the requirements of this RFP. The proposal must be complete and accurate. Omissions, inaccuracies, or misstatements may be cause for rejection of a proposal.
- In preparing proposals, Bidders should:
 - Use standard 8½" x 11" white paper with a minimum type size of 12 points. Consecutively number all pages in the Bidder's response (including attachments and/or appendices).

- Include a cover letter stating:
 - The name, address, email, phone and fax numbers of the principal contact responsible for the oversight of the agreement. Indicate the availability of this person for meetings with SIB staff.
 - The name, address, email, phone and fax numbers of the project representative who will be available to SIB and its staff on a day-to-day basis during the term of the agreement.
 - The name, address, email, phone, fax number and name of a key contact at each partner, if a consortium, and subcontractor and what the aforementioned would be responsible for under the agreement.
 - That the Bidder accepts the terms of the Sample Agreement attached to this RFP. Please note that the General Terms and Conditions in Exhibit C are not negotiable.
- c) All proposals must be submitted under sealed cover and received by SIB by 4:00 pm PT on January 20, 2017, unless SIB provides notice that the date has been changed. **Proposals received after this date and time will not be considered.** Proposals received by fax or email will be rejected.
- d) A minimum of one (1) original and five (5) copies of the proposal must be submitted.
- e) The original proposal must be marked "**ORIGINAL COPY**". All documents contained in the original proposal package must have **original signatures** and must be signed by a person who is authorized to bind the proposing firm. All additional proposal sets may contain photocopies of the original package.
- f) The proposal envelopes must be plainly marked with the RFP number and title, your firm name and address, and must be marked with "**DO NOT OPEN**", as shown in the following example:

Request for Proposals No. SIB 10-16
Investment Consulting Services
Firm Name
Firm Address
Contact Person and Phone Number
"DO NOT OPEN"

If the proposal is made under a fictitious name or business title, the actual legal name of Bidder must be provided.

Proposals not submitted under sealed cover and marked as indicated may be rejected.

- g) Proposals that omit the Minimum Qualifications Certification that is included in Attachment 5 of Section H will not be considered. Proposals shall include each of the attachments (if applicable) on the Required Attachment Check List in Section H. Proposals that do not comply with the requirements of the RFP shall be deemed non-responsive. A non-responsive proposal is one that does not meet the basic proposal requirements and will be rejected.

- h) One (1) original and five (5) copies of the proposal shall be mailed or delivered to the following address:

**ScholarShare Investment Board
915 Capitol Mall, Room 105
Sacramento, California 95814
Attention: Brian Gorban
Phone: (916) 651-6380**

- i) Proposals must be submitted for the performance of all the services described herein. Any deviation from the work specifications will not be considered and will cause a proposal to be rejected.
- j) A proposal may be rejected if it is conditional or incomplete, or if it contains any alterations of form or other irregularities of any kind. SIB may reject any or all proposals and may waive an immaterial deviation in a proposal. SIB's waiver of an immaterial deviation shall in no way modify the RFP document or excuse the Bidder from full compliance with all requirements if awarded the agreement.
- k) The Bidder is entirely responsible for the costs of developing proposals and costs incurred in anticipation of award of the agreement. Such costs shall not be charged to SIB.
- l) An individual who is authorized to bind the proposing firm contractually shall sign Required Attachment 2, Proposal/Proposer Certification Sheet. The signature must indicate the title or position that the individual holds in the firm. An unsigned proposal may be rejected.
- m) A Bidder may modify a proposal after its submission by withdrawing its original proposal and resubmitting a new proposal prior to the proposal submission deadline as set forth in the Schedule (Key Action Dates) in Section C(1). The submission of a new proposal must comply with the requirements of this section. Proposal modifications offered in any other manner, oral or written, will not be considered.
- n) A Bidder may withdraw its proposal by submitting a written withdrawal request to SIB, signed by the Bidder or an authorized agent in accordance with Section C(3)(m). A Bidder may thereafter submit a new proposal prior to the proposal submission deadline. Proposals may not be withdrawn without cause subsequent to the proposal submission deadline.
- o) SIB may modify this RFP prior to the date fixed for submission of proposals by the issuance of an addendum to all interested Bidders providing contact information, including an email address and phone number. The contact information may be provided to Brian Gorban at scholarshare@treasurer.ca.gov by December 28, 2016. SIB will also provide updates by email to all Bidders who have expressed interest and provided contact information.
- p) Upon announcement and release of this RFP and until selection of the winning Bidder (and notice of intent to award the agreement), Bidders (or potential Bidders) are not permitted to communicate with SIB staff or its consultants with respect to the RFP except in connection with process and procedures related to the RFP. Any communication must be directed to Brian Gorban at scholarshare@treasurer.ca.gov.
- q) SIB reserves the right to reject all proposals. SIB is not required to award an agreement.
- r) Bidders are cautioned to not rely on SIB to discover and report to the Bidder any defects and errors in submitted documents. Before submitting a response to this RFP, Bidders should carefully review the response, correct all errors and confirm compliance with the RFP requirements.

- s) Where applicable, Bidder should carefully examine work sites and specifications. No additions or increases to the agreement amount will be made due to a lack of careful examination of work sites and specifications.
- t) More than one proposal from any firm, organization, partnership, corporation or association under the same or different names, will not be considered. Reasonable grounds for believing that any Bidder has submitted more than one proposal for the work contemplated herein will cause the rejection of all proposals submitted by that Bidder. If there is reason for believing that collusion exists among the Bidders, none of the participants in such collusion will be considered in this or future procurements.
- u) No oral understanding or agreement shall be binding on either party.

4) Evaluation Process

- a) All proposals will be reviewed by an evaluation committee. The initial review of the proposals will confirm that all information has been submitted in conformity with the requirements of this RFP. The absence of required information will cause a proposal to be deemed nonresponsive and may result in the proposal's disqualification. Responsive proposals will then be scored according to criteria herein. The scored categories and the corresponding weighting of each scored category is as follows:

| Scored Category | Weighting |
|-------------------------------------|-------------------|
| Bidder's Background Information | 20 points |
| Experience in Investment Consulting | 35 points |
| Cost | 30 points |
| Interview | 15 points |
| Total Possible Points | 100 points |

The evaluation committee will allot points for each component of the RFP, up to 100 points. The scoring will be done in two phases. The first phase will be worth 85 points, with all items being scored with the exception of the Interview portion. In this first phase a minimum score of 70 out of 85 is required to be eligible for the second, interview phase. The top three (3) highest scoring Bidders after the first phase is completed will be contacted for an interview. All the interviews will be scored based on the Bidders' responses to the same set of questions that will be asked of all Bidders eligible for the second, interview phase. The Bidder's second phase score will be added to the Bidder's first phase score, and the Bidder earning the highest total score will be announced as the winner. SIB reserves the right to not conduct interviews if deemed unnecessary to the selection of an investment consultant (e.g., only one (1) Bidder scored a minimum of 70 points in the first phase).

- b) The following point scale will be used to score the responses to the questions presented under each of the scored category except with regards to costs.

Percent of Maximum Score Allotted to Category

- 100% - Excellent response backed by demonstrated ability.
- 90% - Very good response backed by demonstrated ability.
- 80%- Good response backed by demonstrated ability.
- 70%- Fair response backed by demonstrated ability.
- 60%- Poor response.
- 0% - Bidder does not demonstrate ability.

- c) Proposals that contain false or misleading statements, or that provide references which do not support an attribute or condition claimed by the Bidder, may be rejected. If, in the opinion of SIB, such information was intended to mislead SIB in its evaluation of the

proposal, and the attribute, condition, or capability is a requirement of this RFP, it will be the basis for rejection of the proposal.

- d) The contract will be awarded to the responsible and responsive Bidder with the highest total score.
- e) SIB is not required to award an Agreement.

5) Award and Protest

- a) Notice of the proposed award shall be posted in a public place at the State Treasurer's Office, 915 Capitol Mall, Sacramento, CA 95814, for five (5) working days prior to awarding the agreement. The notice will be posted at the entrance to Room 105 and online at www.treasurer.ca.gov/scholarshare.
- b) If any Bidder, prior to the award of agreement, files a protest with SIB and the DGS Office of Legal Services, 707 Third Street, 7th Floor, Suite 7-330, West Sacramento, CA 95605, on the grounds provided under Public Contract Code section 10345(b), the agreement shall not be awarded until either the protest has been withdrawn or DGS has decided the matter. It is suggested that any protest be submitted by certified or registered mail.
- c) Within five (5) days after filing the initial protest, the protesting Bidder shall file with SIB and the DGS Office of Legal Services a detailed written statement specifying the grounds for the protest. It is suggested that this detailed written statement be submitted by certified or registered mail.

6) Disposition of Proposals

- a) Upon proposal opening, all documents submitted in response to this RFP will become the property of SIB and the State, and will be regarded as public records under the California Public Records Act (Government Code Section 6250 et seq.) and subject to review by the public.
- b) Proposal packages may be returned only at the Bidder's expense, unless such expense is waived by SIB.

7) Agreement Execution and Performance

- a) Performance shall start not later than 30 days, or on the express date set by the awarding agency and the Contractor, after all approvals have been obtained and the agreement is fully executed. If the Contractor fails to commence work at the agreed upon time, the awarding agency, upon five (5) days written notice to the Contractor, reserves the right to terminate the agreement. In addition, the Contractor shall be liable to the State for the difference between Contractor's proposal price and the actual cost of performing work by another contractor.
- b) All performance under the agreement shall be completed on or before the termination date of the agreement.
- c) The General Terms and Conditions included as Exhibit C to the Sample Agreement are not negotiable. Exhibit C (currently GTC-610) can be found online at: <http://www.dgs.ca.gov/ols/Resources/StandardContractLanguage.aspx>.
- d) Upon execution of the agreement, Contractor must complete and submit to SIB the Payee Data Record (STD. 204) to determine if the Contractor is subject to State income tax withholding pursuant to California Revenue and Taxation Code Sections 18662 and 26131.

This form is available as Attachment 6 in Section H and can be found online at <http://www.dgs.ca.gov/osp/STDFormsDirectory.aspx> (click "Forms Search," click "California State Forms Directory," enter "204" in "Search by Form Number" field under "Forms Search" tab, and click link for STD. 204 - Payee Data Record). No payment shall be made unless a completed STD. 204 has been returned to SIB.

- e) The Contractor must sign and submit to SIB the Contractor Certification Clauses (CCC-307), which is incorporated by reference to Exhibit C to the agreement. The Contractor Certification Clauses are included as Attachment 7 in Section H and can be found online at <http://www.dgs.ca.gov/ols/Resources/StandardContractLanguage.aspx>.

D) Qualifications and Experience

Questions in this Section D are intended to demonstrate the Bidder's qualifications. Points will be awarded for the Bidder's response(s) to each question. The allocation of points is defined in Section C 4) of this RFP entitled "Evaluation Process." Questions should be answered for each relevant partner or subcontractor to the extent applicable if a Bidder is a consortium or is using subcontractors. In preparing proposals, the Bidder must list each question and then provide the Bidder's response to that question in the same order listed in this RFP.

1) Required Information (Zero (0) points)

- a) State the name, address, telephone and fax numbers, and e-mail addresses of Bidder's firm and the person who will have ultimate responsibility for this contract.
- b) Bidder must be a registered investment advisor or exempt from registration. Bidder must include as Attachment 12 its Form ADV as currently on file with the Securities and Exchange Commission as an attachment to its proposal, or it must provide the basis of its exemption from registration.
- c) Disclose any other legal or disciplinary event that is material to the Board's evaluation of the Bidder or the integrity of Bidder's management or advisory personnel by either: (1) identifying the specific type of event and specifically referring to the relevant portions of the Bidder's most recent Forms MA or MA-I (and, if doing so, providing detailed information specifying where the Board may electronically access such forms), or (2) providing a writing that fully and fairly discloses the information required to be disclosed under MSRB Rule G-42(c)(ii) and (b).
- d) Advise if any partner, officer, investment officer, portfolio manager, research analyst, or trader of the Bidder's firm has been convicted or pleaded no contest in a case stemming from a felony indictment. Any such conviction or plea must be disclosed and must be accompanied by a full explanation of the circumstances surrounding it.
- e) Advise if the Bidder is or was a defendant in litigation relating to any services which it proposes to provide to the SIB. Any final settlement, administrative decision, or judgment made in connection with this litigation must be disclosed and must be accompanied by a full explanation of the circumstances surrounding it.
- f) Advise if the Bidder, any partner, related company (parent, subsidiary, sister), affiliate or joint venture, or any owner, officer, director, principal, or management level employee of the Bidder been involved in any enforcement action by the Securities and Exchange Commission or any other governmental regulatory agency or been named a defendant in litigation where there was an allegation of violation of fiduciary responsibility. If yes, explain in detail.
- g) Advise if the Bidder has ever been terminated for cause from any contract. If the answer is yes, cite the background of the contract, reason for the termination, and what the Bidder has

done to change operations or personnel to preclude the circumstances regarding the termination from re-occurring.

- h) Disclose any business relationships, which may be construed to be potential or actual conflicts of interest. The contractor will have a continuing requirement to disclose any business relationships that may be construed to be a potential or actual conflict. The disclosure must be sufficiently detailed to inform the Board of the nature, implications and potential consequences of each conflict and must include an explanation of how the Bidder addresses, or intends to manage or mitigate, each conflict.
- i) The Board may reject a proposal due to any disclosure or conflict of interest (potential or actual) that is material in the sole opinion of the Board.

2) Bidder’s Background and Personnel Information (Maximum of twenty (20) points)

- a) Provide an overview of the Bidder’s firm including mission statement and vision statement, number of years experience providing investment consultation, and what services Bidder’s firm will bring to this contract.
- b) Describe the organizational structure and explain how this structure will be used to perform the requirements of this contract. Explain the advantages of this structure.
- c) Within the past three years, have there been any significant developments in your organization (e.g. changes in ownership, personnel reorganization)? If so, please describe.
- d) Do you anticipate any near-term changes in your organization’s basic ownership structure or any other significant changes in your organization? If so, please describe.
- e) Complete the following table for professionals who will be responsible for providing the investment consulting activities to be performed pursuant to this contract.

| Name & Location | Title & Responsibility | Total Years Experience | Years with Firm | Most Advanced Degree |
|-----------------|------------------------|------------------------|-----------------|----------------------|
| | | | | |
| | | | | |
| | | | | |

- f) Provide professional resumes of each of the individuals who will be assigned to this account and the professional resumes of all individuals who will be responsible for reviewing or otherwise influencing the work of individuals assigned to this account.
- g) Indicate who will have ultimate responsibility for this contract. Indicate the availability of this person for live or telephone meetings with the SIB or its designee. Describe the Bidder’s backup procedures if the primary person assigned to this account leaves the firm, or is otherwise unavailable. How many other client relationships will each individual have?
- h) Describe the turnover of professional staff (specifically senior management and key professionals) over the past five years.

3) Experience in Investment Consulting (Maximum of thirty-five (35) points)

- a) Describe Bidder’s experience in advising boards on formulating and reviewing investment policies and in interpreting investment data. Include the names of the boards, the number of years that the Bidder has provided such service, the number of agencies or boards to

which Bidder is currently providing investment advice and the approximate dollar value of the portfolios for which consultative services are provided. Explain how this experience will benefit the SIB.

- b) Describe Bidder's investment research process, including how Bidder interacts with the boards for whom it provides advice.
- c) Describe in detail what data, information, and advice the Bidder proposes to provide to SIB in formulating its investment policies and analyzing and interpreting the investment performance of the ScholarShare program manager(s). Describe the Bidder's methodology used for measuring risk.
- d) Describe how benchmarks are chosen or developed and how the manager's performance is compared to similar portfolios. Indicate whether your firm has ever developed benchmarks and, if so, provide a description of the benchmarks developed.
- e) Discuss any changes/material refinements in Bidder's advisement philosophy which have occurred within the past three years. What prompted the changes/refinements?
- f) Provide recent applicable examples, if any, of client reports or research prepared by Bidder regarding investment strategies.
- g) Describe the Bidder's experience with the use of mathematical, computer, or other models in evaluating both investment performance and risk. Provide a sample of at least one such modeling report demonstrating thoroughness and understandability by Bidder's staff. Describe the firm's resources, research centers, etc. for supporting the investment consulting services.
- h) Provide a list of the investment selection models and investment evaluation models that Bidder uses on a regular basis.
- i) Describe the Bidder's understanding of the objectives of the ScholarShare program. What special expertise does the Bidder bring to advising SIB?
- j) List any consulting accounts lost within the past three years and note the reason for the account lost.
- k) Provide the name, address, telephone number, contact name and title for five (5) firms to serve as references for Bidder, using format in Attachment 4. Provide three (3) references for any subcontractors you plan to use. These references should include governmental agencies, preferably State of California agencies or agencies located in California, which are charged with overseeing the investment of funds held in trust for others. Identify the individuals at Bidder's firm who were responsible for providing investment consultation to these agencies. Submission of Attachment 4 is mandatory. Proposals that fail to submit Attachment 4 shall be considered nonresponsive and rejected.

4) Cost Proposal (Maximum of thirty (30) points)

Use Attachment 3 (Cost Proposal) to complete your cost proposal for each year of the contract term (including the potential extension year), which will be a full and final estimate. **SIB expects the total amount of the contract not to exceed \$375,000 for this potential three-year contract.** Review this section and the calculations in your Cost Proposal carefully. Mathematical errors may be corrected by SIB. **Do not make any modifications to the Cost Proposal form, including the 200 total annual hours and the \$10,000 total annual travel costs.** The cost proposal shall:

- Follow the template outlined in Attachment 3 – Cost Proposal, completing all of the cost proposal forms listed below:
 - Cost Proposal Detail (Year One)
 - Cost Proposal Detail (Year Two)
 - Cost Proposal Detail (Year Three – Potential Extension Year)
- **Assume a total of 200 hours of staff work (including subcontractor staff work) per year.** Estimate the number of hours out of the 200 each level of staff who will be assigned to the contract will work. Note that the total number of hours for identified staff must equal 200 per year.
- Identify and include an hourly rate for each level of staff who will be assigned to work on the services outlined in this RFP. The hourly rates identified will be utilized in the contract awarded to the winning bidder for reimbursement for services performed. **All-inclusive flat fees and/or retainer fees will not be accepted for consideration.**
- **Travel costs are \$10,000 per year. This amount may not be modified.** The rates for travel costs shall be set in accordance with the California Department of Human Resources (CalHR) rates for comparable classes and no travel outside the State of California shall be reimbursed unless prior written authorization is obtained from SIB.

Proposals submitted with a cost proposal that fails to meet any of the specified requirements outlined above, or in a form other than as provided for in Attachment 3, will be considered non-responsive and rejected.

The following formula shall be used for the award of cost points:

Lowest cost proposal, based on the estimated Total Cost for Three Year Contract Term (two years and potential one-year extension) from Attachment 3, is awarded the maximum cost points. Other proposals are awarded cost points based on the following calculation:

$$(\text{Lowest Bidder's cost proposal} / \text{Other Bidder's cost proposal}) = (\text{factor})$$

$$\text{Cost points for other Bidder} = (\text{factor}) \times \text{maximum cost points}$$

EXAMPLE: A maximum of 30 points is available.

$$\begin{aligned} \text{Lowest Bidder's Cost Proposal} &= \$75,000 \\ \text{Other Bidder's Cost Proposal} &= \$100,000 \end{aligned}$$

$$(\text{Lowest Bidder's cost proposal} / \text{Other Bidder's cost proposal}) = \$75,000 / \$100,000 = \frac{3}{4}$$

$$\text{Cost points awarded to Other Bidder} = \frac{3}{4} \times 30 \text{ maximum cost points}$$

5) Interview (Maximum of fifteen (15) points)

Answers provided to questions during the interview will be the basis for awarding up to 15 points. Each interviewee will receive the same set of questions. Only the top three (3) highest scoring Bidders, scoring a minimum of 70 points in the first phase of the evaluation process, will be interviewed. See Section C(4) of this RFP for further information on the Interview process.

E) California Disabled Veteran Business Enterprise

The Disabled Veteran Business Enterprise (DVBE) participation requirement and DVBE incentive for this RFP have been waived.

F) Preference Programs

1) Small Business or Microbusiness Preference

(If there are any inconsistencies herein with the applicable statutes, regulations, and State Contracting Manual, the statutes, regulations, and State Contracting Manual shall supersede.)

A five percent (5%) preference will be applied to certified small businesses submitting proposals for this RFP. To obtain the preference, Proposer must either be certified as a small business and submit a copy of their certification approval letter from DGS / Office of Small Business and DVBE Services (OSDS) or submit a complete application for certification to DGS / OSDS by 5:00 p.m. PT on the proposal due date. However, the proposed winning Proposer must be a certified small business at the time of contract award. The 5% preference is used only for computation purposes to determine the winning Proposer and does not alter the amounts of the resulting contract.

Once each proposal has been scored, if the highest scored proposal is from a non-certified small business, then 5% of the highest scoring proposal is added to the total "earned" points for each proposal submitted by a certified small business. These final numbers, with the 5% included, are then used to determine the highest scoring proposal.

Questions regarding the small business certification or preference approval should be directed to the OSDS at (916) 375-4940 or can be found online at <http://www.dgs.ca.gov/pd/Programs/OSDS.aspx>.

2) Non-Small Business Preference

(If there are any inconsistencies herein with the applicable statutes, regulations, and State Contracting Manual, the statutes, regulations, and State Contracting Manual shall supersede.)

A five percent (5%) preference is available to a non-small business claiming twenty-five percent (25%) California certified small business subcontractor participation. If claiming the non-small business subcontractor preference, the proposal must include a list of the small business(es) with which the Proposer commits to subcontract in an amount of at least 25% of the net proposal price with one or more California certified small businesses. Each listed certified small business must perform a "commercially useful function" in the performance of the contract as defined in Government Code Section 14837(d)(4).

The required list of California certified small business subcontractors must be attached to the proposal and must include the following: 1) subcontractor name, 2) address, 3) phone number, 4) a description of the work to be performed and/or products supplied, 5) and the dollar amount or percentage of the net proposal price (as specified in the solicitation) per subcontractor.

Proposers claiming the 5% preference must commit to subcontract for at least 25% of the net proposal price with one or more California certified small businesses. Completed certification applications and required support documents must be submitted to the OSDS no later than 5:00 p.m. PT on the proposal due date. Questions regarding certification should be directed to the OSDS at (916) 375- 4940 or can be found online at <http://www.dgs.ca.gov/pd/Programs/OSDS.aspx>.

The preference to a non-small business firm that commits to California certified small business subcontractor participation of 25% of its net proposal price shall be 5% of the highest scoring proposal. A non-small business, which qualifies for this preference, may not take an award away from a certified small business.

3) Target Area Contract Preference Act (TACPA)

(If there are any inconsistencies herein with the applicable statutes, regulations, and State Contracting Manual, the statutes, regulations, and State Contracting Manual shall supersede.)

The TACPA preference will be granted for this procurement. Proposers wishing to take advantage of the TACPA preference will need to review the following website and submit the appropriate response with the proposal:

<http://www.dgs.ca.gov/pd/Programs/DisputeResolution.aspx>

Proposers wishing to take advantage of the TACPA preference are required to submit the following applications/forms:

- TACPA (Std. 830)
- Bidder's Summary of Contract Activities and Labor Hours (DGS/PD 525)
- Manufacturer Summary of Contract Activities and Labor Hours (DGS/PD 526)

G) Darfur Contracting Act Compliance Certification

Effective January 1, 2009, Bidders must address the requirements of the Darfur Contracting Act of 2008 (the "Darfur Contracting Act"). The Darfur Contracting Act was passed by the California Legislature and signed into law by the Governor to preclude State agencies generally from contracting with "scrutinized" companies that do business in the African nation of Sudan (of which the Darfur region is a part), for the reasons described in Public Contract Code section 11475.

A scrutinized company is a company doing business in Sudan as defined in Public Contract Code section 11476. Scrutinized companies are ineligible to, and cannot, bid on or submit a proposal for a contract with a State agency for goods or services. (Public Contract Code section 11477(a).)

Bidders must complete and include with the bid response the Darfur Contracting Act Certification Form available as Attachment 8 of Section H. Proposals that fail to submit the required form shall be considered nonresponsive and rejected.

H) ScholarShare Statement of Investment Policy

Refer to the following pages for the ScholarShare Statement of Investment Policy.

I) ScholarShare Monitoring Procedures and Criteria

Refer to the following pages for the ScholarShare Monitoring Procedures and Criteria.

J) Required Attachments

Refer to the following pages for additional Required Attachments.

EXHIBIT A-1



**Golden State ScholarShare College Savings Trust
Statement of Investment Policy**

September 29, 2016

PROGRAM PURPOSE

In accordance with Section 529 of the Internal Revenue Code of 1986, as amended, the Golden State ScholarShare College Savings Trust (the "Trust") offers a qualified tuition program (the "Program") to California families. The purpose of the Program is to help California families save for higher education on a tax advantaged basis.

PURPOSE OF THIS STATEMENT

This Investment Policy Statement ("Policy") defines the Program's investment objectives and establishes policies and procedures so that investment objectives can be met in a prudent manner. This Policy is intended to:

- Articulate objectives of the Program and its investment portfolio
- Identify roles of specific entities having a fiduciary responsibility to the Program
- Define policies regarding permitted investments, benchmarks, and asset allocation strategies
- Describe current investment options available to holders of individual savings accounts ("Accounts") established as part of the Program
- Recognize the Governor's Scholarship Programs (GSP) as a separate Program of the Trust

PROGRAM OBJECTIVES

The primary goal of the Program is to provide eligible participants with investment options ("Investment Portfolios") for investment of Accounts in the Trust that

- Meet the various educational saving needs of Account Owners and Program Beneficiaries,
- Encompass a range of risk and return opportunities,
- Allow for a rate of return commensurate with an appropriate level of risk to meet the investment goals of that Portfolio, and
- Are appropriate for college savings.

In order to achieve this objective, Program Investment Portfolios are to be comprised of Underlying Investments (mutual funds ("Funds"), individual securities, insurance agreements, etc.) as outlined in this document ("Underlying Investments" or "Funds").

GOVERNOR'S SCHOLARSHIP PROGRAMS

A separate program, the GSP, also invests in assets of the Trust and, in accordance with California State statutes must be invested in a guaranteed funding agreement.

RESPONSIBILITIES

ScholarShare Investment Board

The ScholarShare Investment Board (the “SIB” or the “Board”) will conduct their responsibilities as a trustee and fiduciary of the Program. The SIB may delegate functions that a prudent entity acting in a like capacity and familiar with those matters could properly delegate under the circumstances.

Under this Policy, the SIB will generally be responsible for the following:

- Developing a sound and consistent Policy
- Reviewing and refining the Policy as needed
- Employing qualified investment managers, custodians, and investment advisors
- Reviewing and approving investment proposals by Program manager(s), including an annual review of asset allocation strategies and age band changes
- Approving procedures for monitoring investment performance criteria and other investment related contractual obligations of the Program Manager and other vendors
- Monitoring adherence to policies, procedures, and criteria as set forth in this document and in Program Fund Monitoring Procedures and Criteria.

Program Manager(s)

The Board has determined that it is necessary and reasonable to retain a professional investment manager to invest the assets of the Program (the “Program Manager”). Under this Policy, the Program Manager(s) and its (their) affiliates and subcontractors will generally be responsible for the following:

- Overseeing Investment Portfolios and their Underlying Investments such that performance is consistent with performance criteria as shown in the Investment Performance Criteria Schedules of the Monitoring Procedures and Criteria
- Reviewing, analyzing, and recommending asset allocation guidelines and any changes in age bands annually submitting a proposal for SIB review and approval
- Implementing SIB investment policies, including asset allocation
- Investing, monitoring, and rebalancing the asset allocation of Investment Portfolios to ensure adherence to target allocations on an as needed basis
- Providing monthly and quarterly reports as contractually obligated or directed by Law, the Board, or the Executive Director

Investment Consultant(s)

The SIB has determined that it is necessary and reasonable to retain a professional investment consultant to advise the Board with regard to the investments of the Trust (the “Investment Consultant”). Under this Policy, the Investment Consultant(s) will generally be responsible for the following:

- Providing general and/or specific investment advice to the SIB and staff
- Making recommendations on investment policies, objectives, and strategies, including asset allocation
- Monitoring of Program Managers and their investment performance

PROGRAM POLICIES

The SIB will pursue the following policies to allow the Program to meet Program Objectives.

Permitted Investments

With the exception of GSP, there are no statutory restrictions on the types of investments that can be made by the Trust. The money in the Trust is not California state money and, therefore, not subject to the statutory and constitutional restrictions that apply to state funds. Thus, the universe of possible investment options for the Trust includes: equities (both domestic and foreign); real estate; corporate and government debt instruments (of any maturity); commodities; FDIC-insured bank products; currency and any other investment vehicle utilized in the marketplace. However, all of the assets in the Program (except for those held in one of the two Funding Agreements) will be allocated to Investment Portfolios which will initially be invested in one or more Funds. Since all mutual fund assets are subject to the provisions of the Investment Company Act of 1940 (the "1940 Act"), the Program's assets (excluding Funding Agreement assets) must be managed in a manner consistent with the 1940 Act. The SIB has further limited investments in the Underlying Investments of the Program to the following broad asset categories (collectively known as "Permitted Investments"):

- Domestic equities and international equities
- Medium and long-term debt obligations of domestic corporations
- U.S. government and government sponsored entity debt obligations
- Real estate commingled funds that invest in publicly traded real estate securities
- Money market instruments, cash, and money market mutual funds that are registered in the U.S. and denominated in U.S. dollars
- Investments in mutual funds, but limited to existing, rated mutual funds, which are registered in the United States and denominated in U.S. dollars
- Insurance agreements
- FDIC-insured bank products

When evaluating current and potential Funds and proxy voting proposals, the SIB cares greatly about geopolitical and social issues as they relate to investment options selected for plan participants. The following is a partial, though not exhaustive list of such issues:

- Respect for Human Rights
- Respect for Civil Liberties
- Respect for Political Rights
- Discrimination Based on Race, Sex, Disability, Language or Social Status
- Worker Rights
- Environmental
- War, Conflicts, and Acts of Terrorism

While funds will not be selected, rejected, or divested from based solely on the basis of the aforementioned factors, the SIB will give serious consideration to such issues when reviewing and approving investments for the plan.

Benchmarks

The SIB shall evaluate investment performance relative to an assigned benchmark. The Program Manager shall at all times seek to provide performance consistent with performance criteria as shown in the Investment Performance Criteria Schedules of the Monitoring Procedures and Criteria. When evaluating investment performance, a benchmark will be used to provide relative results with the following stipulations:

- Evaluations shall be against an industry standard benchmark
- Program Investment Portfolios are to be displayed against an appropriate benchmark or policy benchmark as outlined in the Program Fund Monitoring Procedures and Criteria
- All Underlying Investments and Investment Portfolios shall be considered against their respective benchmarks over an identical time period

Asset Allocation

The SIB will pursue asset allocation strategies to allow the Program to meet Program objectives. The Program Manager is responsible for establishing asset allocation guidelines, which SIB must approve, and maintaining these allocations within approved levels. When implementing new asset allocation guidelines or when rebalancing Investment Portfolios, the Program Manager will have a commercially reasonable period of time to complete the task.

Normally, the Program Manager will not exceed three percent (3%) above or below the base percentages of the Underlying Investment's assets included in the asset allocation guidelines of each Portfolio (see Addendum). In the event of unusual or cataclysmic market movements that result in a violation of the three percent target range, a temporary target range of five (5%) will be in effect. The Program Manager will make substantial and prudent efforts to reallocate assets within the normal 3% target range in a commercially reasonable amount of time. The Program Manager will inform the SIB within a period of one (1) business day in the event that there is a cataclysmic event and it is moving to a 5% target range or if there is a 3% or 5% range violation. The Chair or the Chair's designee and Program Manager will monitor the event and report any violations of this guideline to the SIB. If necessary, the Chair or the Chair's designee may issue a written suspension of the guidelines. In this case, the Chair or the Chair's designee will inform the Program Manager and call a public meeting of the entire SIB to confirm whether the suspension is appropriate or rejected. If rejected, the SIB will issue different instructions to the Program Manager to be immediately implemented.

Review of Asset Allocation

The SIB shall monitor the asset allocation of the Program's Investment Portfolios relative to approved allocations. Within 30 days following the close of each quarter, the Program Manager will provide to the SIB an exception report showing the Program Manager's non-compliance with target allocations, if any, as designated in the Addendum to this document. In addition, the Program Manager will meet with the Board on a periodic basis to review actual asset allocations of Investment Portfolios.

ADDENDUM 1

While the investment parameters for all of the Investment Portfolios offered in the Program are approved by the SIB, Account Owners bear the risk of investment results derived from the selected Investment Portfolio specifically and the Program generally. The appropriate Investment Portfolio (or Portfolios) for each Account Owner is (are) a function of multiple factors, including age (of Beneficiary), income, length of time before money is used, and tolerance for investment risk. Investment Portfolios for the Plan are presented below by investment management style (active then passive). A list of Funds that may be used in each Portfolio and their respective benchmarks and asset classes may be found in Addendum 2.

ACTIVE PORTFOLIOS

Active portfolios are comprised of underlying investments, which are managed using active decision-making processes. These active decisions are intended to provide long-term performance beyond that of a benchmark or index. Actively-managed mutual funds have more relative risk due to different exposures relative to the benchmark.

Active Age-Based Portfolio

The Active Age-Based Portfolio seeks to match the investment objective and level of risk to the investment horizon by taking into account the Beneficiary's current age and the number of years before the Beneficiary turns 18 and is expected to enter college. Depending on the Beneficiary's age, allocations to the Active Age-Based Portfolio will be placed in one of nine Age Bands, each of which has a different investment objective and investment strategy. The Age Bands for younger Beneficiaries seek a favorable long-term return by investing in Underlying Funds that invest primarily in equity securities, which have a higher level of risk, but greater potential for returns than more conservative investments. As a Beneficiary nears college age, the Age Bands allocate less to Underlying Funds that invest in equity securities and allocate more heavily to Underlying Funds that invest in fixed-income securities and a Funding Agreement to preserve capital.

As the Beneficiary ages, assets in the Account that are attributable to the Active Age-Based Portfolio are moved from one Age Band to the next on the first "Rolling Date" following the Beneficiary's fifth, ninth, eleventh, thirteenth, fifteenth, sixteenth, seventeenth, and eighteenth birthdays. The Rolling Dates are March 20, June 20, September 20 and December 20 (or the first business day thereafter).

The Active Age-Based Portfolio invests primarily in Underlying Funds that are actively-managed. An actively-managed fund is different from an index fund in that an actively-managed fund is not managed to track its benchmark index, but rather, managed pursuant to the investment style and strategy of its investment adviser. This means that the performance of an actively-managed fund can vary greatly from that of its benchmark index – in either a positive or negative direction. Because of the active management style, actively-managed funds tend to have higher expenses than index funds. See table below for mutual fund allocations by asset class.

**ACTIVELY MANAGED MUTUAL FUND ASSET ALLOCATION PERCENTAGES –
BY ASSET CLASS**
(Target Asset Allocation as Adopted on November 7, 2011*)

| Portfolio | Domestic Equity Funds | International Equity Funds | Fixed Income | Real Estate Fund | Short Term/Cash Equivalent |
|------------|-----------------------|----------------------------|--------------|------------------|----------------------------|
| Ages 0-4 | 50.40% | 24.00% | 20.00% | 5.60% | 0.00% |
| Ages 5-8 | 44.10% | 21.00% | 30.00% | 4.90% | 0.00% |
| Ages 9-10 | 37.80% | 18.00% | 40.00% | 4.20% | 0.00% |
| Ages 11-12 | 31.50% | 15.00% | 50.00% | 3.50% | 0.00% |
| Ages 13-14 | 25.20% | 12.00% | 60.00% | 2.80% | 0.00% |
| Age 15 | 18.90% | 9.00% | 60.00% | 2.10% | 10.00% |
| Age 16 | 15.75% | 7.50% | 55.00% | 1.75% | 20.00% |
| Age 17 | 12.60% | 6.00% | 45.00% | 1.40% | 35.00% |
| Ages 18+ | 9.45% | 4.50% | 35.00% | 1.05% | 50.00% |

* Target asset allocation will change over time.

Active Diversified Equity Portfolio

This Investment Portfolio seeks to provide a favorable long-term total return by investing primarily in actively-managed equity Underlying Funds. Because of the high exposure to domestic and foreign equities, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments), if they have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios in the Plan. See table below for mutual fund allocations by asset class.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Domestic Equity Funds | International Equity Funds | Real Estate Fund |
|-----------------------|----------------------------|------------------|
| 63.00% | 30.00% | 7.00% |

Active Growth Portfolio

This Investment Portfolio seeks to provide a favorable long-term total return, mainly from capital appreciation, by investing primarily in a combination of actively-managed equity and fixed-income Underlying Funds. Because of the high exposure to equities, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments), if they have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios in the Plan. See table below for mutual fund allocations by asset class.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Domestic Equity Funds | International Equity Funds | Fixed Income | Real Estate Fund |
|-----------------------|----------------------------|--------------|------------------|
| 44.10% | 21.00% | 30.00% | 4.90% |

Active Moderate Growth Portfolio

This Investment Portfolio seeks moderate growth by investing primarily in a combination of actively-managed equity and fixed-income Underlying Funds. The Portfolio seeks a balanced asset allocation and invests a larger portion of its assets in Underlying Funds that invest primarily in fixed-income securities than does the Active Growth Portfolio. Underlying Funds that invest primarily in fixed-income securities have a lower level of risk, but a lower potential for returns than Underlying Funds that invest primarily in equity securities. This Investment Portfolio may be appropriate for investors if they have a medium to short investment horizon and can tolerate a moderate level of risk. See table below for mutual fund allocations by asset class.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Domestic Equity Funds | International Equity Funds | Fixed Income | Real Estate Fund |
|-----------------------|----------------------------|--------------|------------------|
| 25.20% | 12.00% | 60.00% | 2.80% |

Active Conservative Portfolio

This Investment Portfolio seeks to provide preservation of capital along with a moderate rate of return. Approximately half of the Portfolio invests in actively-managed Underlying Funds that invest primarily in fixed-income securities, which have a lower level of risk and corresponding lower potential for returns than more aggressive investments. The rest of the Portfolio is invested in a Funding Agreement. This Investment Portfolio may be appropriate for investors if they have a medium to short investment horizon and can tolerate a conservative to moderate level of risk. See table below for fund allocations by asset class.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Fixed Income | Short Term/ Cash Equivalent |
|--------------|-----------------------------|
| 50.00% | 50.00% |

Active International Equity Portfolio

This Investment Portfolio seeks to provide a favorable long-term total return by investing in actively-managed international equity Underlying Funds. Because of the high exposure to foreign equity investments, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments) or they have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios offered by the Plan.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| International Equity Fund |
|---------------------------|
| 100.00% |

Active Diversified Fixed Income Portfolio

This Investment Portfolio seeks to provide preservation of capital along with a moderate rate of return by investing primarily in actively-managed Underlying Funds that invest in a diversified mix of fixed-income investments. This Investment Portfolio may be appropriate for investors if they have a medium-term investment horizon and can tolerate a moderate level of risk.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| |
|--------------|
| Fixed Income |
| 100.00% |

Social Choice Portfolio

This Investment Portfolio seeks to provide a favorable long-term total return. The Social Choice Portfolio invests 100% of its assets in the TIAA-CREF Social Choice Equity Fund, which invests primarily in equity securities of companies that meet certain social criteria, such as product safety, corporate citizenship, human rights and environmental performance. Because of the high exposure to domestic and foreign equity investments, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments) or you have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios offered by the Plan.

PASSIVE PORTFOLIOS

Passive portfolios are comprised of underlying mutual funds, which are managed using passive decision-making processes that are generally less expensive than active management. Decisions are intended to provide long-term performance similar to that of a benchmark or index. Passively-managed mutual funds often have low relative risk due to highly similar exposures relative to the benchmark. On an absolute basis, however, passive (or index) mutual funds can have more or less risk than actively managed mutual funds.

Passive Age-Based Portfolio

The Passive Age-Based Portfolio seeks to match the investment objective and level of risk to the investment horizon by taking into account the Beneficiary's current age and the number of years before the Beneficiary turns 18 and is expected to enter college. Depending on the Beneficiary's age, allocations to the Passive Age-Based Portfolio will be placed in one of nine Age Bands, each of which has a different investment objective and investment strategy. The Age Bands for younger Beneficiaries seek a favorable long-term return by investing in Underlying Funds that invest primarily in equity securities, which have a higher level of risk, but greater potential for returns than more conservative investments. As a Beneficiary nears college age, the Age Bands allocate less to Underlying Funds that invest in equity securities and allocate more heavily to Underlying Funds that invest in fixed-income securities and a Funding Agreement to preserve capital.

As the Beneficiary ages, assets in the Account that are attributable to the Passive Age-Based Portfolio are moved from one Age Band to the next on the first “Rolling Date” following the Beneficiary’s fifth, ninth, eleventh, thirteenth, fifteenth, sixteenth, seventeenth, and eighteenth birthdays. The Rolling Dates are March 20, June 20, September 20 and December 20 (or the first business day thereafter).

The Passive Age-Based Portfolio invests primarily in Underlying Funds that are index funds. An index fund is managed to track a specific securities index that the fund uses as a benchmark. The Passive Age-Based Portfolio also invests in certain other Underlying Funds (the TIAA-CREF Inflation-Linked Bond Fund and the TIAA-CREF High Yield Fund) and a Funding Agreement. Thus, although a majority of the Underlying Funds in which this Portfolio invests are passively-managed, it does not invest exclusively in passively-managed Underlying Funds (see table below).

**PASSIVELY MANAGED MUTUAL FUND ASSET ALLOCATION PERCENTAGES –
BY ASSET CLASS**

(Target Asset Allocation as Adopted on November 7, 2011*)

| Portfolio | Domestic Equity Fund | International Equity Funds | Fixed Income | Real Estate Fund | Short Term/ Cash Equivalent |
|------------|----------------------|----------------------------|--------------|------------------|-----------------------------|
| Ages 0-4 | 50.40% | 24.00% | 20.00% | 5.60% | 0.00% |
| Ages 5-8 | 44.10% | 21.00% | 30.00% | 4.90% | 0.00% |
| Ages 9-10 | 37.80% | 18.00% | 40.00% | 4.20% | 0.00% |
| Ages 11-12 | 31.50% | 15.00% | 50.00% | 3.50% | 0.00% |
| Ages 13-14 | 25.20% | 12.00% | 60.00% | 2.80% | 0.00% |
| Age 15 | 18.90% | 9.00% | 60.00% | 2.10% | 10.00% |
| Age 16 | 15.75% | 7.50% | 55.00% | 1.75% | 20.00% |
| Age 17 | 12.60% | 6.00% | 45.00% | 1.40% | 35.00% |
| Ages 18+ | 9.45% | 4.50% | 35.00% | 1.05% | 50.00% |

* Target asset allocation will change over time.

Passive Diversified Equity Portfolio

This Investment Portfolio seeks to provide a favorable long-term total return, mainly from capital appreciation, by investing in Underlying Funds that are primarily equity index funds. Because of the high exposure to domestic and foreign equities, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments), if they have a long investment horizon and you can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios in the Plan (see table below).

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Domestic Equity Fund | International Equity Funds | Real Estate Fund |
|----------------------|----------------------------|------------------|
| 63.00% | 30.00% | 7.00% |

Passive Growth Portfolio

This Investment Portfolio seeks to provide a favorable long-term total return, mainly from capital appreciation, by investing in Underlying Funds that are primarily equity index funds. The Portfolio seeks to invest a relatively small percentage of assets to Underlying Funds that invest primarily in fixed income securities. Because of the high exposure to domestic and foreign equities, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments), if they have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios in the Plan (see table below).

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Domestic Equity Fund | International Equity Funds | Fixed Income | Real Estate Fund |
|----------------------|----------------------------|--------------|------------------|
| 44.10% | 21.00% | 30.00% | 4.90% |

Passive Moderate Growth Portfolio

This Investment Portfolio seeks moderate growth by investing primarily in a combination of equity and fixed-income Underlying Funds. The equity Underlying Funds in which the Portfolio invests are index funds and the Portfolio invests in a combination of actively-managed and index funds with respect to its investments in fixed-income Underlying Funds. The Portfolio seeks a balanced asset allocation and invests a larger portion of its assets in Underlying Funds that invest primarily in fixed-income securities than does the Active Growth Portfolio. Underlying Funds that invest primarily in fixed-income securities have a lower level of risk, but a lower potential for returns than Underlying Funds that invest primarily in equity securities. This Investment Portfolio may be appropriate for investors if they have a medium to short investment horizon and can tolerate a moderate level of risk (see table below).

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Domestic Equity Fund | International Equity Funds | Fixed Income | Real Estate Fund |
|----------------------|----------------------------|--------------|------------------|
| 25.20% | 12.00% | 60.00% | 2.80% |

Passive Conservative Portfolio

This Investment Portfolio seeks to provide preservation of capital along with a moderate rate of return. Approximately half of the Portfolio invests in active and index Underlying Funds that invest primarily in fixed-income securities, which have a lower level of risk and corresponding lower potential for returns than more aggressive investments. The rest of the Portfolio is invested in a Funding Agreement (see table below). This Investment Portfolio may be appropriate for investors if they have a medium to short investment horizon and can tolerate a conservative to moderate level of risk.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| Fixed Income | Short Term/ Cash Equivalent |
|--------------|-----------------------------|
| 50.00% | 50.00% |

Index International Equity Portfolio

This Investment Portfolio seeks to provide a favorable long-term total return, mainly from capital appreciation, by investing in international equity index Underlying Funds. Because of the high exposure to foreign equities, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments), if they have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios in the Plan.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| |
|------------------------------|
| International Equity Fund |
| 100.00% |

Passive Diversified Fixed Income Portfolio

This Investment Portfolio seeks to provide preservation of capital along with a moderate rate of return by investing primarily in Underlying Funds that invest in a diversified mix of fixed-income investments. The majority of the Portfolio is invested in an Underlying Fund that is an index fund. This Investment Portfolio may be appropriate for investors if they have a medium to short investment horizon and can tolerate a moderate level of risk.

MUTUAL FUND ASSET ALLOCATION PERCENTAGES – BY ASSET CLASS

| |
|--------------|
| Fixed Income |
| 100.00% |

The Individual Fund Portfolios

These Investment Portfolios allow investors to choose a passively-managed mutual fund from the following list of offerings:

- Index U.S. Large Cap Equity Portfolio
This Investment Portfolio seeks to provide a favorable long-term total return. The Index U.S. Large Cap Equity Portfolio invests 100% of its assets in the TIAA-CREF S&P 500 Index Fund, which invests primarily in a portfolio of equity securities of large domestic companies selected to track U.S. equity markets based on a market index. This Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments) or they have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios offered by the Plan.

- Index Bond Portfolio
This Investment Portfolio seeks to provide preservation of capital along with a moderate rate of return from interest income and capital appreciation. The Index Bond Portfolio invests 100% of its assets in the TIAA-CREF Bond Index Fund, which employs a “passive management” – or indexing – strategy and seeks to match the total return of the Barclays Capital U.S. Aggregate Bond Index. This Investment Portfolio may be appropriate for investors if they have a medium to short investment horizon and can tolerate a moderate level of risk.
- Index U.S. Equity Portfolio
This Investment Portfolio seeks to provide favorable long-term growth, mainly from capital appreciation. The Index U.S. Equity Portfolio invests 100% of its assets in the TIAA-CREF Equity Index Fund, which employs a “passive management” – or indexing – strategy and seeks a diversified portfolio selected to track the overall market for common stocks publicly traded in the U.S., as represented by the Russell 3000 index. Because of the high exposure to equity investments, and the corresponding high degree of risk, this Investment Portfolio may be appropriate for investors if they already have substantial college savings from less volatile investments (e.g., fixed-income investments) or they have a long investment horizon and they can tolerate a higher level of risk, or for use in conjunction with other Investment Portfolios offered by the Plan.

These portfolios are designed for people who seek to customize their college investing through participation in a single mutual fund or several mutual funds.

PRINCIPAL PLUS INTEREST PORTFOLIO

Principal Plus Interest Portfolio

This Investment Portfolio seeks to preserve capital and provide a stable return. It may be appropriate for investors if they have a short investment horizon and are looking for a conservative investment with a low level of risk. The assets in this Investment Portfolio are allocated to a Funding Agreement issued by TIAA-CREF Life to the Board on behalf of the Plan, which is the policyholder under the agreement. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life. The interest rate guarantee is made to the Board only, and not to Participants or Beneficiaries. The rate of any additional interest is declared in advance for a period of up to 12 months and is not guaranteed for any future periods.

ADDENDUM 2

The Portfolios shall contain the Funds listed with their benchmarks by asset class below.

Active Age-Based Portfolios

Domestic Equity

- T. Rowe Price Institutional Large Cap Growth Fund
- T. Rowe Price Institutional Large Cap Value Fund
- TIAA-CREF Small Cap Equity Fund

Benchmark

Russell 1000 Growth
Russell 1000 Value
Russell 2000

International Equity

- DFA Large Cap International Portfolio
- DFA Emerging Markets Core Equity Portfolio

MSCI World ex US
MSCI Emerging Markets

Fixed Income

- MetWest Total Return Bond Fund
- PIMCO Real Return Fund
- PIMCO Income Fund
- T. Rowe Price Institutional Floating Rate Fund

BC US Aggregate Bond
BC US TIPS
BC US Aggregate Bond
S&P/LSTA Performing Loan

Real Estate

- TIAA-CREF Real Estate Securities Fund

FTSE NAREIT Equity

Short Term/Cash Equivalent

- T-C Life Funding Agreement

N/A

Active Diversified Equity Portfolio

Domestic Equity

- T. Rowe Price Institutional Large Cap Growth Fund
- T. Rowe Price Institutional Large Cap Value Fund
- TIAA-CREF Small Cap Equity Fund

Benchmark

Russell 1000 Growth
Russell 1000 Value
Russell 2000

International Equity

- DFA Large Cap International Portfolio
- DFA Emerging Markets Core Equity Portfolio

MSCI World ex US
MSCI Emerging Markets

Real Estate

- TIAA-CREF Real Estate Securities Fund

FTSE NAREIT Equity

Active Growth Portfolio

Domestic Equity

- T. Rowe Price Institutional Large Cap Growth Fund
- T. Rowe Price Institutional Large Cap Value Fund
- TIAA-CREF Small Cap Equity Fund

Benchmark

Russell 1000 Growth
Russell 1000 Value
Russell 2000

International Equity

- DFA Large Cap International Portfolio
- DFA Emerging Markets Core Equity Portfolio

MSCI World ex US
MSCI Emerging Markets

Fixed Income

- MetWest Total Return Bond Fund
- PIMCO Real Return Fund
- PIMCO Income Fund
- T. Rowe Price Institutional Floating Rate Fund

BC US Aggregate Bond
BC US TIPS
BC US Aggregate Bond
S&P/LSTA Performing Loan

Real Estate

- TIAA-CREF Real Estate Securities Fund

FTSE NAREIT Equity

Active Moderate Growth Portfolio

Domestic Equity

- T. Rowe Price Institutional Large Cap Growth Fund
- T. Rowe Price Institutional Large Cap Value Fund
- TIAA-CREF Small Cap Equity Fund

Benchmark

Russell 1000 Growth
Russell 1000 Value
Russell 2000

International Equity

- DFA Large Cap International Portfolio
- DFA Emerging Markets Core Equity Portfolio

MSCI World ex US
MSCI Emerging Markets

Fixed Income

- MetWest Total Return Bond Fund
- PIMCO Real Return Fund
- PIMCO Income Fund
- T. Rowe Price Institutional Floating Rate Fund

BC US Aggregate Bond
BC US TIPS
BC US Aggregate Bond
S&P/LSTA Performing Loan

Real Estate

- TIAA-CREF Real Estate Securities Fund

FTSE NAREIT Equity

Active Conservative Portfolio

Fixed Income

- MetWest Total Return Bond Fund
- PIMCO Real Return Fund
- PIMCO Income Fund
- T. Rowe Price Institutional Floating Rate Fund

Benchmark

BC US Aggregate Bond
BC US TIPS
BC US Aggregate Bond
S&P/LSTA Performing Loan

Short Term/Cash Equivalent

- T-C Life Funding Agreement

N/A

Active International Equity Portfolio

International Equity

- DFA Large Cap International Portfolio
- DFA Emerging Markets Core Equity Portfolio

Benchmark

MSCI World ex US
MSCI Emerging Markets

Active Diversified Fixed Income Portfolio

Fixed Income

- MetWest Total Return Bond Fund
- PIMCO Real Return Fund
- PIMCO Income Fund
- T. Rowe Price Institutional Floating Rate Fund

Benchmark

BC US Aggregate Bond
BC US TIPS
BC US Aggregate Bond
S&P/LSTA Performing Loan

Social Choice Portfolio

- TIAA-CREF Social Choice Equity Fund

Benchmark

Russell 3000

Passive Age-Based Portfolios

Domestic Equity

- TIAA-CREF Equity Index Fund

International Equity

- TIAA-CREF International Equity Index Fund
- TIAA-CREF Emerging Markets Equity Index Fund

Fixed Income

- TIAA-CREF Bond Index Fund
- TIAA-CREF Inflation-Linked Bond Fund
- TIAA-CREF High Yield Fund

Real Estate

- TIAA-CREF Real Estate Securities Fund

Short Term/Cash Equivalent

- T-C Life Funding Agreement

Passive Diversified Equity Portfolio

Domestic Equity

- TIAA-CREF Equity Index Fund

International Equity

- TIAA-CREF International Equity Index Fund
- TIAA-CREF Emerging Markets Equity Index Fund

Real Estate

- TIAA-CREF Real Estate Securities Fund

Passive Growth Portfolio

Domestic Equity

- TIAA-CREF Equity Index Fund

International Equity

- TIAA-CREF International Equity Index Fund
- TIAA-CREF Emerging Markets Equity Index Fund

Fixed Income

- TIAA-CREF Bond Index Fund
- TIAA-CREF Inflation-Linked Bond Fund
- TIAA-CREF High Yield Fund

Real Estate

- TIAA-CREF Real Estate Securities Fund

Passive Moderate Growth Portfolio

Domestic Equity

- TIAA-CREF Equity Index Fund

International Equity

- TIAA-CREF International Equity Index Fund
- TIAA-CREF Emerging Markets Equity Index Fund

Fixed Income

- TIAA-CREF Bond Index Fund
- TIAA-CREF Inflation-Linked Bond Fund
- TIAA-CREF High Yield Fund

Benchmark

Russell 3000 TR

MSCI EAFE

MSCI Emerging Markets

BC US Aggregate Bond
BC US TIPS 1-10 Year
BofA ML BB-B US Cash Pay
High Yield Constrained

FTSE NAREIT Equity

N/A

Benchmark

Russell 3000 TR

MSCI EAFE

MSCI Emerging Markets

FTSE NAREIT Equity

Benchmark

Russell 3000 TR

MSCI EAFE

MSCI Emerging Markets

BC US Aggregate Bond
BC US TIPS 1-10 Year
BofA ML BB-B US Cash Pay
High Yield Constrained

FTSE NAREIT Equity

Benchmark

Russell 3000 TR

MSCI EAFE

MSCI Emerging Markets

BC US Aggregate Bond
BC US TIPS 1-10 Year
BofA ML BB-B US Cash Pay
High Yield Constrained

Real Estate

- TIAA-CREF Real Estate Securities Fund

FTSE NAREIT Equity

Passive Conservative Portfolio

Fixed Income

- TIAA-CREF Bond Index Fund
- TIAA-CREF Inflation-Linked Bond Fund
- TIAA-CREF High Yield Fund

Benchmark

BC US Aggregate Bond
BC US TIPS 1-10 Year
BofA ML BB-B US Cash Pay
High Yield Constrained

Short Term/Cash Equivalent

- T-C Life Funding Agreement

N/A

Passive International Equity Portfolio

International Equity

- TIAA-CREF International Equity Index Fund
- TIAA-CREF Emerging Markets Equity Index Fund

Benchmark

MSCI EAFE (Net MA)
MSCI Emerging Markets

Passive Diversified Fixed Income Portfolio

Fixed Income

- TIAA-CREF Bond Index Fund
- TIAA-CREF Inflation-Linked Bond Fund
- TIAA-CREF High Yield Fund

Benchmark

BC US Aggregate Bond
BC US TIPS 1-10 Year
BofA ML BB-B US Cash Pay
High Yield Constrained

Index U.S. Large Cap Equity Portfolio

- TIAA-CREF S&P 500 Index Fund

Benchmark

S&P 500

Index U.S Equity Portfolio

- TIAA-CREF Equity Index Fund

Benchmark

Russell 3000 TR

Index Bond Portfolio

- TIAA-CREF Bond Index Fund

Benchmark

BC US Aggregate Bond

Principal Plus Interest Portfolio

- T-C Life Funding Agreement

Benchmark

N/A

EXHIBIT A-2



**Golden State ScholarShare College Savings Trust
Monitoring Procedures and Criteria**

September 29, 2016

**Golden State ScholarShare College Savings Trust
Monitoring Procedures and Criteria**

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I. BACKGROUND

In 1996, Congress passed legislation establishing Internal Revenue Code Section 529 plans (college savings or 529 plans) to provide a tax-advantaged means to invest assets for higher educational purposes. California's program, the Golden State ScholarShare College Savings Trust (ScholarShare or Trust) was created in 1999 as a vehicle for California families¹ to save for college. Under federal law, participants in 529 plans cannot directly control investments, instead investments are held in state trusts.

As the administrator of the Trust, the ScholarShare Investment Board (SIB or the Board) directs investment and has a fiduciary responsibility for the assets invested by ScholarShare Participants. SIB's fiduciary duties require that it:

- set appropriate investment policies and procedures,
- monitor investment performance and investment related qualitative factors, such as changes in the Program Manager's investment strategy or key investment personnel, and
- take corrective actions, if necessary.

Specifically, these monitoring procedures enable SIB to monitor performance and help it achieve consistent long-term investment success for ScholarShare Participants. In addition, it provides SIB with a road map for action if it is not satisfied with specific aspects of a fund's activities and/or investment performance.

ScholarShare 529 Plan Investment Structure

ScholarShare offers a Plan sold directly to the public. Participants in the Plan choose from passive investment portfolios and active investment portfolios.

The portfolios in the Plan were designed by SIB to give families a selection of investment choices based on their educational savings needs and risk tolerance. Investment portfolios are comprised of one or more federally registered mutual funds with the exception of the funding agreements with TIAA-CREF Life Insurance Company (T-C Life). The funding agreements with T-C Life (Funding Agreements) are used as a part of the Plan's active and passive age-based and conservative portfolios, and Principal Plus Interest Portfolio. All of the portfolios, their investment objectives, their mutual fund make up, and a list of mutual funds and their corresponding benchmarks, are outlined in the ScholarShare Investment Policy separate document.

¹ All United States citizens may open accounts, not just those who reside in California

II. MONITORING PROCEDURES

The SIB's monitoring procedures are designed to provide qualitative and quantitative information to the Board on investment performance to aid it in making the best decisions on behalf of Trust participants. Specifically, the procedures outline what will be monitored, how it will be monitored, and when it will be monitored; what is acceptable and unacceptable performance; and how underperformance may be addressed.

There are two major groups of monitoring activities: Ongoing Monitoring and Periodic Monitoring.

Ongoing Monitoring Activities

Ongoing monitoring activities include measurement and assessment of investment performance and related investment activities. The differences in the structures for individual fund portfolios and multi-fund portfolios require different monitoring procedures as outlined below. Both SIB's Program Manager and independent Investment Consultant will provide monitoring reports.

Portfolio Construction

- *Individual Fund Portfolios Investment Performance*
Performance of each individual fund portfolio (each portfolio is made up of a single fund) is monitored relative to its benchmarks for a specific time period. Monitoring criteria can be found in Section V., the Investment Performance Criteria Schedules.
- *Multi-Fund Portfolios (Age-Based, Static, etc.) Investment Performance*
Performance monitoring of portfolios in the Plan containing multiple funds will occur at the underlying fund level. Each underlying fund will have its performance compared to its primary prospectus benchmark. Specific monitoring criteria for each underlying fund can be found in Section V., the Investment Performance Criteria Schedules.

Quarterly Investment Performance Review by Program Manager

As part of the ongoing reporting process, the Program Manager will report calendar quarter and trailing annualized performance of the funds to the SIB staff (Staff) and the Investment Consultant on a quarterly basis. The Program Manager will also provide to the Staff quarterly performance reports for each portfolio used by the Trust and each fund against its respective benchmark. In addition, the Program Manager is responsible for providing: i) an explanation of investment activities that caused under- or outperformance each quarter, ii) any major changes in investment related to personnel, organization and/or investment approach/strategy, and iii) any other reporting as required by law.

Quarterly Investment Performance Evaluation by Independent Investment Consultant

Using monthly data provided by Morningstar, the Investment Consultant will provide a quarterly report for the Board comparing each underlying fund with its respective benchmark according to the investment performance criteria found in the Section V., the Investment Performance Criteria Schedules.² The quarterly monitoring report compares each underlying fund to a benchmark (see ScholarShare Investment Policy for funds and their benchmarks). Performance for each underlying fund is then categorized as Positive, Acceptable, Caution, or Watch using the criteria listed in the Investment Status Schedule.

² Performance numbers are net of underlying mutual fund fees (not net of the SIB Administrative Fee or Program Manager Fee).

Quarterly Monitoring of the T-C Life Funding Agreements (Active and Passive Age-Based and Conservative Portfolios and the Principal Plus Interest Portfolio)

In addition to the quarterly investment performance evaluation, the Investment Consultant will include a summary of the health of the T-C Life General Account (General Account). Monitoring of the T-C Life Funding Agreements is based on the financial strength of the General Account, and not investment performance results relative to a stated benchmark. The Investment Consultant will gather information provided by T-C Life of the characteristics of the General Account in order to assess the firm's claims-paying abilities. Analysis of the information provided by T-C Life is subject to its availability, and may be lagged by one quarter. This review is based on the following:

- General Account Financial Strength Rating by the four rating agencies: Moody's Investors Service, Standard & Poor's, A.M. Best, and Fitch.
- Status of the Mortgage Portfolio: In Good Standing, In Good Standing with Restructured Terms, 90 days Overdue, or Foreclosure in Process.
- Bond Portfolio Grade: Investment Grade, Medium Grade, and High Yield.
- Account Diversification: Diversified across asset classes.

The Investment Consultant will monitor changes to any of the categories listed above. Should these changes be deemed significant, the Investment Consultant will provide the SIB with a memo detailing its findings and applying an investment status of Positive, Acceptable, Caution, or Watch.

Periodic Monitoring Activities

As part of its ongoing fiduciary responsibilities, the SIB and Investment Consultant should regularly (annually or more often if needed) review several qualitative aspects of the Program Manager's practices.

Key factors include, but are not limited to a review of:

- Fund investment guidelines to ensure they are consistent with the SIB's mandate for the fund.
- Fund investment strategy and style, especially the buy/sell disciplines.
- Portfolio activity, specifically the turnover rate, number of holdings, and execution costs.
- Risk profile relative to the fund's benchmark.
- Organizational structure.
- Stability of fund personnel and organization.
- Contractual obligations to the SIB.
- Multi-fund portfolios against an appropriate custom asset-weighted benchmark.
- Efficacy of active versus passive management in the age-based portfolios.

III. INVESTMENT STATUS

The quarterly investment reports provided by the Investment Consultant will rate all underlying funds as Positive, Acceptable, Caution or Watch (see Investment Status Schedule). These ratings will serve to summarize performance for each fund.

Investment Status Schedule

| Performance Category | Active Funds | Passive Funds |
|----------------------|--|--|
| Positive | <ul style="list-style-type: none"> ▪ Performance exceeds the benchmark | <ul style="list-style-type: none"> ▪ Performance exceeds the benchmark (first 1-12 month period), or ▪ Tracking error is within the allowable range³ (short, medium and long time periods) |
| Acceptable | <ul style="list-style-type: none"> ▪ Performance meets or is under the benchmark and is within the allowable range | <ul style="list-style-type: none"> ▪ Performance does not exceed the benchmark but is within the allowable range (first 1-12 month period only) |
| Caution | <ul style="list-style-type: none"> ▪ Performance is below allowable range but either: <ul style="list-style-type: none"> i) for less than six consecutive months⁴, or ii) the Board has not taken (or decided not to take) a formal action to place the underlying fund on Watch even though performance has been below allowable range for six months or longer. | <ul style="list-style-type: none"> ▪ Tracking error falls outside of the allowable range but either <ul style="list-style-type: none"> i) for less than six consecutive months, or ii) the Board has not voted to place the underlying fund on Watch |
| Watch ⁴ | <ul style="list-style-type: none"> ▪ Performance is below allowable range for more than six consecutive months and the Board has formally voted to place the underlying fund on Watch. | <ul style="list-style-type: none"> ▪ Tracking error falls outside of the allowable range for more than six consecutive months and the Board has formally voted to place the underlying fund on Watch. |

Note: This chart addresses investment performance only. It is conceivable that the Investment Consultant, Staff and the Board may need to take into consideration qualitative factors (either positive or negative) when determining the status of a fund. Monitoring criteria and ranges shall be reviewed on an ad hoc basis to confirm their appropriateness based on prevailing market dynamics and conditions.

If an underlying fund meets the criteria in the Investment Status Schedule for Caution, SIB may choose to place the underlying fund on Watch if performance does not improve. At a subsequent SIB meeting, the Investment Consultant and Staff will apprise the Board as to whether quantitative (see Section V., the Investment Performance Criteria Schedules) and/or qualitative conditions (as determined by the

³ Ranges are shown in the Investment Performance Criteria Schedules

⁴ The amount of time generally required before an underlying fund is put on Watch

Investment Consultant which may include changes in investment strategy, changes in key personnel, changes in risk/capital market exposure or other risks identified by the Investment Consultant) warrant further action. If conditions are not improving, the Investment Consultant will provide a memo explaining the causes of underperformance and will make a recommendation whether or not to put the underlying fund on Watch.

Watch Status

Once the Board receives the report and recommendation, it may decide to take no action or it may vote to place the underlying fund on Watch. In making this decision, the Board may use quantitative or qualitative information or a combination of both. Once on Watch, the underlying fund will receive heightened monitoring. Specifically, the Program Manager will provide a quarterly report explaining causes of underperformance or improvement. Additionally, the Investment Consultant and Staff will monitor the underlying fund carefully and provide additional reports as necessary. This heightened level of monitoring continues quarter-by-quarter until the Board releases the underlying fund from Watch or takes other corrective actions.

Generally, once an underlying fund is placed on Watch, it should be able to exhibit improvement within a time frame of 12 to 18 months. However, extenuating circumstances may require the Board to take action sooner (or later) than 12 to 18 months. Regardless, an underlying fund will remain on Watch until the Board votes to release it or take further action.

Improvement Occurs – Release from Watch

If an underlying fund shows indications of improvement in one or more of the factors that caused it to be placed on Watch, it may be released from Watch. Examples of improvements warranting a change in status are:

- Improved investment performance.
- Investment style and/or risk characteristics return to, and remain at, levels originally agreed upon.
- Other factors such as organizational structure stabilizes, personnel adjustments, compliance requirements, etc. are met/satisfied.

The Investment Consultant and Staff will provide regular reports to the Board on any underlying fund on Watch. These reports will highlight the original reasons for placing the underlying fund on Watch and discuss how these issues have been addressed. If improvement occurs in an appropriate amount of time (generally 12 to 18 months) the Investment Consultant may make a recommendation to the Board to release the underlying fund from Watch, and the Board may vote to approve this recommendation or not.

TIAA-CREF Life Insurance Company Funding Agreements

Applying an investment status to the T-C Life Funding Agreements is based on different criteria than those applied to underlying funds. Given that the monitoring of the T-C Life Funding Agreements is based on non-performance related issues, different criteria must apply to measure improvement during Watch. If Caution or Watch applies, the Investment Consultant will provide regular updates to the Staff until such time that improvement is noted (typically a 12 to 18 month period) in the characteristics that caused the T-C Life Funding Agreements to be placed on Caution or Watch.

IV. CORRECTIVE MEASURES

Improvement Does Not Occur – Corrective Measures

If an underlying fund is not released from Watch within an appropriate period (generally 12 to 18 months), corrective action may be necessary. Differences in structural make up between the individual fund portfolios and the multi-fund portfolios means that corrective action will take different forms as explained below.

Individual and Multi-Fund Portfolios

If the quantitative and/or qualitative performance of an individual fund or multi-fund portfolio does not improve, the Investment Consultant will conduct an analysis and provide the Board with options and a recommendation for action. Options include:

- Giving the fund more time,
- Closing it to new investment, or
- Replacing it (replacement specifics are outlined below).

For individual fund portfolios, the Board should take into consideration that Trust participants (and their advisors) have specifically chosen the individual fund (it is not just a part of the portfolio's asset allocation) and may want to give it ample time to improve or close it to new investment before considering replacing it. If the Board decides that funds must be replaced, either in an individual fund or multi-fund portfolio, the process is outlined below.

T-C Life Funding Agreements

If no improvement is seen in the characteristics of the T-C Life Funding Agreements related to those characteristics that caused Caution or Watch status, the Investment Consultant may recommend that the SIB replace the T-C Life Funding Agreements with other options. While it is recognized that replacing the T-C Life Funding Agreements may be difficult, the Investment Consultant and Staff will work to provide a solution that is feasible given the nature of the underlying funding agreement.

Fund Replacement

The SIB may replace funds on Watch as part of its fiduciary responsibility to monitor and take corrective action if required. The Investment Consultant will provide a memo on whether fund replacement should be considered and if so which funds may be suitable replacements⁵. The "Standard Timeframe" below shall be followed for funds currently on Watch, except when immediate action is necessary as provided under "Expedited Timeframe" below.

Standard Timeframe - Funds Currently on Watch

If fund replacement is necessary for funds currently on Watch, SIB may consider funds that are offered by the Program Manager or an affiliated entity that are appropriate substitutes for the current fund(s). The Investment Consultant may also recommend that the SIB consider having:

- the Program Manager subcontract with an affiliated or non-affiliated entity to provide fund management services, subject to SIB approval; or
- the issuance of a Request For Proposals for fund management services by a third-party provider not affiliated with the Program Manager.

The Program Manager will work collaboratively with the Investment Consultant to provide the Board with one or more recommended replacement funds, which may include funds offered by the Program Manager or funds offered by an alternative fund manager. The Investment Consultant will also provide the Board with a memo expressing its opinion of the Program Manager's recommendation.

⁵ As stated above, SIB may want to act cautiously when considering whether or not to replace a fund that is the only fund in an individual fund portfolio since participants (and their advisors) have specifically chosen it.

For individual fund portfolios, if the Board determines that a fund warrants replacement, the Board should consider closing the individual fund portfolio to new investments and notify participants (and their advisors) of the planned action prior to implementation. Sufficient time (two to four months) between announcement and implementation should exist in order to allow participants sufficient time to assess the planned change and determine whether to participate in the change or move the assets to a substitute investment. This process enables the Board to exercise its fiduciary duties and still allow participants (and advisors) the ability to move their assets where they deem most appropriate.

For multi-fund portfolios, if the Board determines that a fund warrants replacement, it should work with the Program Manager on a case-by-case basis to consider removal of the fund from the portfolio's fund allocation. A new investment in a multi-fund portfolio must have more competitive performance characteristics than the fund that is being replaced while also maintaining (or enhancing) the integrity and expected results of the asset allocation processes used to construct the portfolio.

All of the above actions require Board approval.

Any new investments shall be closely monitored for an appropriate period of time as determined by the Investment Consultant and may be recommended for placement on Watch for further monitoring.

Expedited Timeframe - Funds Currently on Watch Requiring Immediate Action

In the event of unusual or precarious market movements or unforeseen circumstances (such as wholesale change in fund management, rapid deterioration in performance or portfolio composition, material unforeseen factors, etc.) where immediate fund replacement or corrective action may be necessary, as determined by the Investment Consultant, the Board may replace a fund or take corrective action. To expedite the process, SIB should first consider funds that are offered by the Program Manager or an affiliated entity that are appropriate substitutes for the current fund(s). If an appropriate substitute cannot be found from the Program Manager's or affiliated entity's existing fund offerings, then the Investment Consultant may recommend that the SIB consider having:

- the Program Manager subcontract with an affiliated or non-affiliated entity to provide fund management services, subject to SIB approval; or
- the issuance of a Request For Proposals for fund management services by a third-party provider not affiliated with the Program Manager.

If the Board determines that a fund must be removed, the Board should work with the Program Manager to consider removal of the fund from the portfolio's fund allocation. A new investment in a portfolio must maintain or enhance the integrity and expected results of the asset allocation processes used to construct the portfolio while removing the idiosyncratic risk of the fund being replaced.

All of the above actions require Board approval and the Board may delegate by formal action its authority to the Executive Director of SIB or the Chair of SIB, who may authorize a designee to act in his stead.

Any new investments shall be closely monitored for an appropriate period of time as determined by the Investment Consultant and may be recommended for placement on Watch for further monitoring.

As part of the review process, a full screening of the fund universe should be conducted by the Program Manager, in collaboration with the Investment Consultant, in which the Program Manager will provide the Board with one or more recommended alternative funds, which may include funds managed by an alternative fund manager in addition to funds offered by the Program Manager. The Investment Consultant will also provide the Board with a memo expressing its opinion of the Program Manager's recommendation. The Board may elect to remain invested in the Program Manager fund or move the assets to one of the alternative funds.

Overall Assessment of Program Manager's Investment Services

The SIB may determine that the Program Manager's overall investment services are unsatisfactory due to either quantitative reasons (sustained poor performance at the asset class and/or fund level) or qualitative reasons (See Definitions of Important Terms). General guidelines regarding the Program Manager's overall investment performance are outlined in Section 6 of the existing contract between SIB and the Program Manager (Agreement No. SIB 15-10).

V. INVESTMENT PERFORMANCE CRITERIA SCHEDULES

Table 1a: Actively Managed Funds
(Based on net-of-fee asset class performance)

| Asset Class | Short-Term (rolling 12-month periods) | Medium-term (rolling 36-month periods) | Long-term (> 60 months) |
|----------------------|---|--|---------------------------------------|
| Domestic Equity | Fund return < bench return -3.5% for 6 consecutive months | Fund return < bench return -1.75% for 6 consecutive months | VRR< 0.97 for 6 consecutive months |
| International Equity | Fund return < bench return -4.5% for 6 consecutive months | Fund return < bench return -2.0% for 6 consecutive months | VRR< 0.97 for 6 consecutive months |
| Fixed Income | Fund return < bench return -1.0% for 6 consecutive months | Fund return < bench return -0.5% for 6 consecutive months | VRR< 0.98 for 6 consecutive months |
| High Yield | Fund return < bench return -6.5% for 6 consecutive months | Fund return < bench return -3.25% for 6 consecutive months | VRR< 0.96 for 6 consecutive months |

^{1st} 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis.

Annualized return is the average annual return of either the fund or its benchmark.

VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

| <u>Fund</u> | <u>Asset Class</u> | <u>Benchmark</u> |
|-----------------------------------|----------------------|--|
| T. Rowe Price Instl LC Growth | Domestic Equity | Russell 1000 Growth TR USD |
| T. Rowe Price Instl LC Value | Domestic Equity | Russell 1000 Value TR USD |
| TIAA-CREF Small Cap Equity | Domestic Equity | Russell 2000 TR USD |
| TIAA-CREF Social Choice Equity | Domestic Equity | Russell 3000 TR USD |
| TIAA-CREF Real Estate Sec | Domestic Equity | FTSE NAREIT All Equity REITs TR |
| DFA Large Cap International | International Equity | MSCI World Ex US NR USD |
| DFA Emerg Mkts Core Equity | International Equity | MSCI EM NR USD |
| PIMCO Real Return | Fixed Income | BarCap US Trsy US TIPS TR USD |
| PIMCO Income Instl | Fixed Income | BarCap US Agg Bond TR USD |
| MetWest Total Return | Fixed Income | BC US Agg Bond TR USD |
| TIAA-CREF Inflation-Linked Bond | Fixed Income | BarCap US TIPS 1-10 Year TR USD |
| T. Rowe Price Instl Floating Rate | High Yield | S&P/LSTA Performing Loan TR |
| TIAA-CREF High Yield | High Yield | BofAML US HY C Pay BB-B Constd TR USD |

Table 1b: Passively Managed Funds
(Based on net-of-fee asset class performance)

| Asset Class | Short-Term (rolling 12-month periods) | Medium-term (rolling 36-month periods) | Long-term (rolling 60-month periods) |
|-----------------------|--|---|--|
| Domestic Equity | Tracking Error > 0.30% for 6 consecutive months | Tracking Error > 0.25% for 6 consecutive months | Fd annlzd return < bench annlzd return -0.30% for 6 consecutive months |
| International Equity* | Tracking Error > 0.75% for 6 consecutive months | Tracking Error > 0.70% for 6 consecutive months | Fd annlzd return < bench annlzd return -0.30% for 6 consecutive months |
| Fixed Income | Tracking Error > 0.40% for 6 consecutive months | Tracking Error > 0.55% for 6 consecutive months | Fd annlzd return < bench annlzd return -0.35% for 6 consecutive months |

^{1st} 1-12 month performance criteria is not annualized; all other criteria is on an annualized basis.
Annualized return is the average annual return of either the fund or its benchmark.
VRR – Value Relative Ratio – is calculated as: fund cumulative return / benchmark cumulative return.

* TIAA-CREF utilizes “fair market value” adjustment procedures for the TIAA-CREF International Equity Index Fund and TIAA-CREF Emerging Markets Equity Index Fund (the Funds). This adjustment increases or decreases the Funds’ actual closing price to compensate for pricing differences between international markets. This procedure can create an artificially high tracking error. Monitoring of the Funds takes this into account and corrects for it where data is available. TIAA-CREF has chosen to implement certain socially responsible investment policies including divesting from companies with major operations in the Sudan. Divesting from companies within the tracking index will create some degree of tracking error. If such divestitures cause tracking error to exceed the monitoring criteria, it is TIAA-CREF’s responsibility to notify SIB and the investment consultant and to quantify the extent to which the divestitures added to tracking error.

| <u>Fund</u> | <u>Asset Class</u> | <u>Benchmark</u> |
|-------------------------------|----------------------|---------------------------|
| TIAA-CREF Equity Index | Domestic Equity | Russell 3000 TR USD |
| TIAA-CREF S&P 500 Index | Domestic Equity | S&P 500 TR |
| TIAA-CREF Intl Equity Index | International Equity | MSCI EAFE NR USD |
| TIAA-CREF Emerg Mkts Eq Index | International Equity | MSCI EM NR USD |
| TIAA-CREF Bond Index | Fixed Income | BarCap US Agg Bond TR USD |

Table 1c: T-C Life Funding Agreements
(Based on non-investment performance criteria)

| Fund Name | Financial Strength | Mortgage Portfolio | Bond Portfolio | Account Diversification |
|----------------------------|---|---------------------------|-------------------------------|---|
| T-C Life Funding Agreement | Moody's = Aaa Standard & Poor's = AAA A.M. Best=A+++ Fitch=AAA | 100% in Good Standing | At least 90% Investment Grade | Portfolio is diversified across asset classes and types |

Monitor: T-C Life Funding Agreements

VI. DEFINITIONS OF IMPORTANT TERMS

A

Active Management – a money-management approach based on informed, independent investment judgment that seeks to add incremental value to that of a benchmark.

American Depositary Receipt (ADR) - A negotiable certificate issued by a U.S. bank representing a specific number of shares of a foreign stock traded on a U.S. stock exchange.

Annualized Performance – a measure that converts total cumulative performance into an annual average return. Industry practice is to compute the average annual return by compounding monthly return and then computing the geometric mean return.

Asset Allocation – the process of dividing investments among different kinds of assets, such as stocks, bonds, real estate, and cash, to optimize the risk/reward tradeoff based on an institution's specific situation and goals.

Asset Class – a type of investment, such as stocks, bonds, real estate, or cash, specifically:

- **Domestic Equity** - Ownership interests in U.S.-based corporations in the form of common stock or preferred stock. Domestic equity may include some limited exposure to real estate (REITs) and international stocks (ADRs) as listed on major U.S. stock market exchanges.
- **International Equity** - Ownership interests in non U.S.-based corporations in the form of common stock or preferred stock. International equity may include some limited exposure to global stocks (those involving more than one country, including the U.S.), emerging markets stocks, or other investment offerings as listed on major non-U.S. stock market exchanges.
- **Fixed Income** - Medium and long-term debt obligations of government, government sponsored entities, corporations, and/or other assets that pay a fixed dollar amount. Fixed income may include some limited exposure to structured and synthetic investments such as options and swaps.
- **High Yield** - A fixed income instrument that pays (yields) a higher rate of income (interest) than otherwise equivalent debt due to an increase in risk (such as a higher level of credit/default risk on a corporate bond). Generally, high yield bonds are considered to be those rated 'BB' or lower by one or more of the major rating agencies. High yield investments also include Leveraged Loans which pay a floating rate of interest and are senior to bonds in the capital structure.
- **Short Term** - A fixed income instrument that will expire within a relatively short time frame (often considered to be one year or less). Short Term bonds are highly conservative investments that can be liquidated quickly.

B

Barclay's Capital Intermediate Government/Credit Index – a market value weighted performance benchmark for government and corporate fixed-rate debt issues with maturities between one and ten years.

Barclay's Capital U.S. Aggregate Bond Index – an unmanaged index generally representative of the U.S. investment grade fixed income universe. The index includes treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in U.S.

Barclay's Capital U.S. TIPS Index – an unmanaged index generally representative of the U.S. inflation-indexed fixed-income universe.

Barclay's Capital U.S. TIPS 1-10 Year Index – an unmanaged index consisting of U.S. Treasury inflation-indexed bonds with maturities between 1 and 10 years.

Barclay's Capital U.S. Treasuries 5-10 Year Index – an unmanaged index consisting of U.S. Treasury bonds with maturities between 5 and 10 years.

Benchmark – a standard used for comparison. For example, the S&P 500 is a widely used benchmark thought to be representative of the domestic stock market as a whole.

Benchmark Annualized Return – the conversion of a benchmark's (e.g. S&P 500) cumulative gain or loss activity into an average annual return.

In the case of a contract, an agreement with the contracting entity can include agreements with a third-party to provide services. All of the terms under the signed contract typically apply to all the services provided by the multiple parties or service provider.

BofAML US HY C Pay BB-B Index – is an unmanaged index comprised of publicly placed, non-convertible, coupon bearing domestic debt. Issues in the index are less than investment grade as rated by Standard & Poor's Ratings Group or Moody's Investors Service, Inc., and must not be in default. The index focused on higher rated high yield securities. The index is limited to constituents possessing either a BB or B rating.

Buy/Sell Disciplines – describes under what conditions, and how frequently, a security is to be bought and sold.

C

Composite – a combination or group of select securities.

D

Direct Plan – a plan sold through which participants can invest without paying a "load," or sales fee. This type of plan, which you can buy directly from the program manager without the assistance of a broker, is generally less expensive because it waives or does not charge sales fees that may apply to advisor-sold plans.

Diversified Approach – a portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction.

Domestic Equity – see Asset class for description.

Dow Jones Wilshire 5000 Index – a market capitalization-weighted index composed of approximately 5,000 publicly-traded companies that is designed to track performance of the U.S. stock markets.

E

Execution Costs – the costs associated with completing a buy or sell of an asset or investment.

Externally Managed Mutual Funds – a portfolio of investments managed by a third party, outside of the Trust, for a stated fee.

F

FID Strategic Income Composite (Blended Benchmark) – consists of 40% Merrill Lynch US High Yield Constrained Index, 15% Citigroup Non-US G7 Index, 30% Barclay's Capital U.S. Government Bond Index, and 15% J.P. Morgan EMBI Global Index.

Fiduciary Responsibility – a legal authority and ethical duty to make decisions regarding financial matters on behalf of another party

Fixed Income – see Asset class for description.

FTSE NAREIT All Equity REITs Index – is a free float adjusted market capitalization weighted index that includes all tax qualified REITs listed in the NYSE, AMEX, and NASDAQ National Market.

Fund (or Mutual Fund) – an investment portfolio that is managed by an external professional investment management firm. A mutual fund is typically highly diversified (after taking into account the investment firm’s unique philosophy and approach) and includes investments on behalf of many share or unit holders. Mutual funds are “regulated investment companies” registered with the Securities and Exchange Commission.

Fund Annualized return – the conversion of a fund’s cumulative gain or loss activity into an average annual return.

Fund Review – a review of a mutual fund’s performance describing how the fund may be failing to meet specific criteria. This document is typically produced when a fund is placed on watch status.

H

High Yield – see Asset class for description.

I

Investment Approach/Strategy – the method employed by the mutual fund to achieve its stated added value quantitative.

Investment Guidelines – a list of requirements and criteria agreed upon by the fund and its client to achieve the portfolio’s investment quantitatives. Such guidelines can include items such as (i) the types of asset to be employed, (ii) the maximum amount of exposure to any one security, (iii) maximum or minimum percentages of each type of asset, etc.

Investment Manager or Investment Management Firm – an organization responsible for investing assets on behalf of clients.

Investment Options – see Section I., Background for description.

Investment Performance – the gain or loss of a mutual fund, typically described in percentage terms.

Investment Performance Criteria – pre-determined expectations set for the fund, which are used to evaluate whether the fund is meeting its investment performance quantitative.

Investment Risk – the volatility of an investment’s performance, with emphasis on the measurable possibility of an investment losing, or not gaining value.

Investment Style – a philosophy or approach of investing typically held by a broad group of investors (i.e., growth investors, value investors, etc.).

International Equity – see Asset class for description

M

Management Fees – the fee charged by a fund’s investment advisor for managing the fund.

Merrill Lynch U.S. High Yield Master II Index – an unmanaged index comprised of publicly placed, non-convertible, coupon bearing domestic debt. Issues in the index are less than investment grade as rated by Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc., and must not be in default. Issues have a term to maturity of at least one year.

MSCI All Country World (ACWI) xUS Index – an equity performance measurement by Morgan Stanley Capital International of developed markets (Europe, Australia, Far East) and emerging markets excluding the U.S.

MSCI Emerging Markets (EM) Index – is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI USA IMI ESG Index – formerly the FTSE KLD US All Cap Sustainability Index. This benchmark, developed by Morgan Stanley Capital International (MSCI), holds companies with the highest environmental, social and governance (ESG) criteria in each sector of the U.S. equity market.

Multi-fund Options – investment options comprised of more than one individual fund.

O

Ongoing Monitoring – continual (quarterly) evaluation of the qualitative and investment performance aspects of a funds' management and practices to determine their ability to continue to add value and meet pre-established criteria.

Options – a privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

Organizational Structure – a description of a fund's business-related characteristics such as personnel and team structure as well as its decision-making hierarchy.

Outperformance – when the result of activities of an investment over a given period of time exceeds expectations (i.e. the result of a growth-oriented fund is better than an assigned benchmark such as the Russell 3000 Growth Index).

P

Participants – individuals electing to take part in the Trust's investment program by contributing assets to the investment options provided by the Trust.

Passive Management – a money-management approach that seeks to match the return and risk characteristics of a market or benchmark.

Periodic Monitoring – regular (annually, semi-annually) evaluation of the qualitative aspects of a fund's management and practices to determine if they meet pre-established criteria.

Portfolios – a stand alone (individual) investment or a collection of multiple investments. In most cases, these investments are mutual funds but may be separate accounts, such as the Social Choice portfolio. One or more portfolios may also represent an asset class. The term 'Portfolio' is also used to describe various participant options..

Program Manager Fee – the fee charged by the program administrator.

Q

Qualitative Considerations – factors taken into account when assessing the Program Manager's overall performance in providing investment management services.

Quantitative Considerations – factors taken into account when assessing the Program Manager's overall investment performance.

Quarterly – a three-month period within one year (typically ending on 3/31, 6/30, 9/30, 12/31).

Quarterly Performance – the result of investment activities within a three-month period.

R

Rolling Periods – specific time periods that are selected to include a finite amount of days, months, quarters, or years in which as the next unit (i.e. day) is entered, the earliest one from the past set is dropped retaining the finite number.

Russell 1000 Index – measures the performance of the 1,000 largest companies in the Russell 3000 Index.

Russell 2000 Index – measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 3000 Index – measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which as of June 2011 reconstitution represented approximately 98% of the investable U.S. equity market.

Russell 3000 Growth Index – measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Value Index – measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid Cap Index – measures the performance of the smallest 800 companies in the Russell 1000 Index.

Russell Mid Value Index – measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth rates.

S

S&P 500 Index – a performance measurement of the stocks of 500 high quality companies as judged by the Standard & Poor's corporation. This index is widely used and thought to be representative of the entire U.S. stock market.

S&P/LSTA Performing Loan Index – an index designed to reflect the largest loan facilities in the leveraged loan market. It mirrors the market-value-weighted performance of the 100 largest institutional leveraged loans based upon actual market weightings, spreads and interest payments.

S&P Mid Cap 400 Index – a market capitalization-weighted index composed of 400 stocks, including reinvestment of dividends that is generally considered representative of mid-sized U.S. companies.

Short term – see Asset class for description.

Stand Alone Fund – an individual mutual fund that represents an entire offering as part of the program's investment options.

Status Report – a quarterly evaluation of a fund's performance while designated as being on Watch. This report reviews the reason for the fund being on Watch, for how long, and if the fund is addressing the issues pertaining to Watch.

Structured Security – a debt security with one or more special features, such as making payments based on an underlying index.

Style – a behavior of portfolio returns caused by an investment manager's investment philosophy and portfolio construction processes.

Synthetic Security – a security that is artificially created involving two or more instruments that has the same risk-reward profile as a strategy involving only one instrument.

Swaps – the exchange of one security for another to change the maturity (bonds), quality of issues (stocks or bonds), or because investment quantitatives have changed.

T

T-C Life Funding Agreements – TIAA-CREF Life Insurance Company (T-C Life) investment portfolio which supports the various guaranteed fixed annuities. The General Account primarily invests in corporate and government bonds, structured finance instruments (such as mortgage-backed securities) and real estate.

Three-Month T-Bill – the 3-month T-Bill is an index that is typically constructed using a single issue U.S. Treasury purchased at the beginning of the month and held for a full month. Each month the index is rebalanced and the issue selected is the outstanding Treasury Bill that matures closest to, but not beyond, 3 months from the rebalancing date.

Tracking Error – the amount by which the performance of the portfolio typically differs (either plus or minus) from that of the benchmark.

U

Underlying Funds – a set (two or more) of mutual funds that together comprise an offering as part of the program's investment options.

Underperformance – when the result of activities of an investment over a given period of time falls short of expectations (e.g. the result of a typical equity portfolio is lower than an assigned benchmark).

V

Value Relative Ratio – a measure of a mutual fund's effectiveness by comparing a fund's return data to the specified benchmark. Calculated as "Fund Cumulative Return/Benchmark Cumulative Return."

W

Watch – a condition assigned to a fund indicating that the fund's investment performance or other qualitative factors do not meet pre-determined criteria. This status allows time for the fund to take corrective action before being terminated.

ATTACHMENT 1

REQUIRED ATTACHMENT CHECK LIST

Complete this checklist to confirm the attachments. Place a check mark or "X" next to each item that you are submitting to the State. **For your proposal to be responsive, each of the following required attachments must be submitted with your proposal package.**

This checklist should be returned with your proposal package.

| <u>Attachment</u> | <u>Attachment Name/Description</u> |
|--------------------|--|
| ____ Attachment 1 | Required Attachment Check List |
| ____ Attachment 2 | Proposal/Proposer Certification Sheet |
| ____ Attachment 3 | Cost Proposal Work Sheet |
| ____ Attachment 4 | Bidder References |
| ____ Attachment 5 | Minimum Qualifications Certification |
| ____ Attachment 6 | Payee Data Record (STD. 204) |
| ____ Attachment 7 | Contractor Certification Clauses (CCC-307) |
| ____ Attachment 8 | Darfur Contracting Act Certification Form |
| ____ Attachment 9 | Small Business or Microbusiness Preference (if applicable) Additional information about this preference can be found online at http://www.dgs.ca.gov/pd/Programs/OSDS.aspx |
| ____ Attachment 10 | Non-Small Business Preference (if applicable) Additional information about this preference can be found online at http://www.dgs.ca.gov/pd/Programs/OSDS.aspx |
| ____ Attachment 11 | Target Area Contract Preference Act (TACPA) Program (if applicable) The forms and additional information about this preference program can be found online at http://www.dgs.ca.gov/pd/Programs/DisputeResolution.aspx . |
| ____ Attachment 12 | Securities and Exchange Commission Form ADV (Part 1 and Part 2) or Proof of Exemption from Registration |
| ____ Attachment 13 | Bidder Declaration (GSPD-05-105) |

ATTACHMENT 2

PROPOSAL/PROPOSER CERTIFICATION SHEET

This Proposal/Proposer Certification Sheet must be signed and returned along with all the "required attachments" as an entire package in duplicate with original signatures. The proposal must be transmitted in a sealed envelope in accordance with RFP instructions.

- A. Place all required attachments behind this certification sheet.
- B. The signature affixed hereon and dated certifies compliance with all the requirements of this proposal document. The signature below authorizes the verification of this certification.
- C. The signature below certifies to the best of your knowledge that the information provided on this document is true and complete.

An Unsigned Proposal/Proposer Certification Sheet May Be Cause For Rejection

| | | |
|--|--|---|
| 1. Company Name | 2. Telephone Number () | 2a. Fax Number () |
| 3. Address | | |
| Indicate your organization type: | | |
| 4. <input type="checkbox"/> Sole Proprietorship | 5. <input type="checkbox"/> Partnership | 6. <input type="checkbox"/> Corporation |
| Indicate the applicable employee and/or corporation number: | | |
| 7. Federal Employee ID No. (FEIN) | 8. California Corporation No. | |
| 9. Indicate applicable license and/or certification information: | | |
| 10. Proposer's Name (Print) | 11. Title | |
| 12. Signature | 13. Date | |
| 14. Are you certified with the Department of General Services, Office of Small Business Certification and Resources (OSBCR) as: | | |
| a. California Small Business Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, enter certification number: _____ | b. Disabled Veteran Business Enterprise Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, enter your service code below: _____ | |
| NOTE: A copy of your Certification is required to be included if either of the above items is checked "Yes". | | |
| Date application was submitted to OSBCR, if an application is pending: _____ | | |

Completion Instructions for Proposal/Proposer Certification Sheet

Complete the numbered items on the Proposal/Proposer Certification Sheet by following the instructions below.

| Item Numbers | Instructions |
|-----------------------|--|
| 1, 2, 2a, 3 | Must be completed. These items are self-explanatory. |
| 4 | Check if your firm is a sole proprietorship. A sole proprietorship is a form of business in which one person owns all the assets of the business in contrast to a partnership and corporation. The sole proprietor is solely liable for all the debts of the business. |
| 5 | Check if your firm is a partnership. A partnership is a voluntary agreement between two or more competent persons to place their money, effects, labor, and skill, or some or all of them in lawful commerce or business, with the understanding that there shall be a proportional sharing of the profits and losses between them. An association of two or more persons to carry on, as co-owners, a business for profit. |
| 6 | Check if your firm is a corporation. A corporation is an artificial person or legal entity created by or under the authority of the laws of a state or nation, composed, in some rare instances, of a single person and his successors, being the incumbents of a particular office, but ordinarily consisting of an association of numerous individuals. |
| 7 | Enter your federal employee tax identification number. |
| 8 | Enter your corporation number assigned by the California Secretary of State's Office. This information is used for checking if a corporation is in good standing and qualified to conduct business in California. |
| 9 | Complete, if applicable, by indicating the type of license and/or certification that your firm possesses and that is required for the type of services being procured. |
| 10, 11, 12, 13 | Must be completed. These items are self-explanatory. |
| 14 | If certified as a California Small Business, place a check in the "yes" box, and enter your certification number on the line. If certified as a Disabled Veterans Business Enterprise, place a check in the "Yes" box and enter your service code on the line. If you are not certified to one or both, place a check in the "No" box. If your certification is pending, enter the date your application was submitted to OSBCR. |

ATTACHMENT 3

COST PROPOSAL

All specifications outlined in Section D(4) of the RFP shall be met or the Bidder's proposal will be considered **non-responsive and rejected**.

Do not make any modifications to these Cost Proposal forms, including the **200 total annual hours** and the **\$10,000 annual travel costs**.

See Section D(4) of the RFP for more details. Review the RFP and the calculations in this Cost Proposal carefully. Mathematical errors may be corrected by SIB.

Total Cost for Three-Year Contract Term shall be the sum of the "Total Annual Cost" for Year One, Year Two and Year Three, and shall not exceed \$375,000 for the potential three-year contract term.

Cost Proposal Detail

YEAR ONE

| DIRECT LABOR (Staff Level/Title) | HOURS ¹ | MULTIPLY | HOURLY RATE | EQUALS | YEAR ONE TOTAL ² | |
|--|--------------------|----------|-------------|--------|-----------------------------|-------------------------------|
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| <i>TOTAL DIRECT LABOR</i> | 200 | | | | | \$ |
| <i>TOTAL INDIRECT COSTS</i> | | | | | | (A) |
| INDIRECT COSTS (OVERHEAD & FRINGE BENEFITS) | | | % | | TOTAL | |
| Overhead Rate | | | % | | \$ | |
| Fringe Benefits | | | % | | \$ | |
| <i>TOTAL INDIRECT COSTS</i> | | | | | | \$ |
| <i>TOTAL TRAVEL COSTS</i> | | | | | | (B) |
| TRAVEL COSTS | | | | | TOTAL | |
| Travel Costs | | | | | \$10,000 | |
| <i>TOTAL TRAVEL COSTS</i> | | | | | | \$ 10,000 ³ |
| <i>TOTAL DIRECT COSTS (EXCEPT LABOR)</i> | | | | | | (C) |
| DIRECT COSTS (EXCEPT LABOR) | | | | | TOTAL | |
| Equipment and Supplies (Itemized) | | | | | \$ | |
| Other Direct Costs (Itemized) | | | | | \$ | |
| <i>TOTAL DIRECT COSTS (EXCEPT LABOR)</i> | | | | | | \$ |
| <i>TOTAL ANNUAL COST FOR YEAR ONE</i> ⁴ | | | | | | \$ |

¹ Total shall be calculated assuming 200 hours of services provided by all levels of staff (including subcontractors) for year one.

² Total shall be calculated by multiplying the number of hours per year by hourly rate for each level of staff (including subcontractors).

³ Travel costs at \$10,000 per year are included in this Attachment 3 – Cost Proposal and may not be modified.

⁴ Total shall be the sum of the totals for A-D.

Cost Proposal Detail

YEAR TWO

| DIRECT LABOR (Staff Level/Title) | HOURS ¹ | MULTIPLY | HOURLY RATE | EQUALS | YEAR TWO TOTAL ² | | <u>YEAR TWO TOTALS</u> |
|---|--------------------|----------|-------------|--------|-----------------------------|-------------------------------|------------------------|
| | | X | \$ | = | \$ | | |
| | | X | \$ | = | \$ | | |
| | | X | \$ | = | \$ | | |
| | | X | \$ | = | \$ | | |
| | | X | \$ | = | \$ | | |
| <i>TOTAL DIRECT LABOR</i> | 200 | | | | | \$ | (A) |
| INDIRECT COSTS (OVERHEAD & FRINGE BENEFITS) | | | % | | TOTAL | | |
| Overhead Rate | | | | % | \$ | | |
| Fringe Benefits | | | | % | \$ | | |
| <i>TOTAL INDIRECT COSTS</i> | | | | | | \$ | (B) |
| TRAVEL COSTS | | | | | TOTAL | | |
| Travel Costs | | | | | \$10,000 | | |
| <i>TOTAL TRAVEL COSTS</i> | | | | | | \$ 10,000 ³ | (C) |
| DIRECT COSTS (EXCEPT LABOR) | | | | | TOTAL | | |
| Equipment and Supplies (Itemized) | | | | | \$ | | |
| Other Direct Costs (Itemized) | | | | | \$ | | |
| <i>TOTAL DIRECT COSTS (EXCEPT LABOR)</i> | | | | | | \$ | (D) |
| <i>TOTAL ANNUAL COST FOR YEAR TWO</i> ⁴ | | | | | | \$ | |

¹ Total shall be calculated assuming 200 hours of services provided by all levels of staff (including subcontractors) per year.

² Total shall be calculated by multiplying the number of hours per year by hourly rate for each level of staff (including subcontractors).

³ Travel costs at \$10,000 per year are included in this Attachment 3 – Cost Proposal and may not be modified.

⁴ Total shall be the sum of the totals for A-D.

Cost Proposal Detail

YEAR THREE – POTENTIAL EXTENSION YEAR

| DIRECT LABOR (Staff Level/Title) | HOURS ¹ | MULTIPLY | HOURLY RATE | EQUALS | YEAR THREE TOTAL ² | <u>YEAR THREE TOTALS</u> |
|---|--------------------|----------|-------------|--------|--|-----------------------------------|
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| | | X | \$ | = | \$ | |
| <i>TOTAL DIRECT LABOR</i> | 200 | | | | | \$ (A) |
| INDIRECT COSTS (OVERHEAD & FRINGE BENEFITS) | | | % | | TOTAL | |
| Overhead Rate | | | | % | \$ | |
| Fringe Benefits | | | | % | \$ | |
| | | | | | <i>TOTAL INDIRECT COSTS</i> | \$ (B) |
| TRAVEL COSTS | | | | | TOTAL | |
| Travel Costs | | | | | \$10,000 | |
| | | | | | <i>TOTAL TRAVEL COSTS</i> | \$ 10,000 ³ (C) |
| DIRECT COSTS (EXCEPT LABOR) | | | | | TOTAL | |
| Equipment and Supplies (Itemized) | | | | | \$ | |
| Other Direct Costs (Itemized) | | | | | \$ | |
| | | | | | <i>TOTAL DIRECT COSTS (EXCEPT LABOR)</i> | \$ (D) |
| | | | | | <i>TOTAL ANNUAL COST FOR</i> | \$ |
| POTENTIAL YEAR THREE EXTENSION TERM ⁴ | | | | | | |

¹ Total shall be calculated assuming 200 hours of services provided by all levels of staff (including subcontractors) per year.

² Total shall be calculated by multiplying the number of hours per year by hourly rate for each level of staff (including subcontractors).

³ Travel costs at \$10,000 per year are included in this Attachment 3 – Cost Proposal and may not be modified.

⁴ Total shall be the sum of the totals for A-D.

ATTACHMENT 4

BIDDER REFERENCES

Submission of this attachment is mandatory. Failure to complete and return this attachment with your proposal will cause your proposal to be rejected and deemed nonresponsive.

List below five references for services performed within the last five years, which are similar to the scope of work to be performed in this contract. If five references cannot be provided, provide an explanation on an attached sheet of paper.

| REFERENCE 1 | | | |
|---------------------------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |
| Brief Description of Service Provided | | | |

| REFERENCE 2 | | | |
|---------------------------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |
| Brief Description of Service Provided | | | |

| REFERENCE 3 | | | |
|---------------------------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |
| Brief Description of Service Provided | | | |

| REFERENCE 4 | | | |
|---------------------------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |
| Brief Description of Service Provided | | | |

*Optional

REFERENCE 5

| | | | |
|------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |

Brief Description of Service Provided

SUBCONTRACTOR REFERENCES (if applicable)

List below three references for services performed by your subcontractor(s) within the last five years, which are similar to the scope of work to be performed in this contract. If three references cannot be provided, provide an explanation on an attached sheet of paper.

REFERENCE 1

| | | | |
|------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |

Brief Description of Service Provided

REFERENCE 2

| | | | |
|------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |

Brief Description of Service Provided

REFERENCE 3

| | | | |
|------------------|------|---------------------------|----------|
| Name of Firm | | | |
| Street Address | City | State | Zip Code |
| Contact Person | | Telephone Number | |
| Dates of Service | | Value or Cost of Service* | |

Brief Description of Service Provided

*Optional

ATTACHMENT 5

MINIMUM QUALIFICATIONS CERTIFICATION

The firm certifies that it fulfills all of the minimum qualifications outlined in Section B of Request for Proposals No. SIB 10-16 (the "RFP"). By signing this attachment, the firm also agrees to notify the ScholarShare Investment Board (SIB) immediately upon its failure to continue to meet the minimum qualifications, if selected as the investment consultant for SIB.

On behalf of _____, I certify that said firm
(Firm Name)
complies with the Minimum Qualifications set forth in Section B of the RFP.

(Authorized Signature of Firm)

(Firm Name)

(Print Name)

(Date)

(Title)

PAYEE DATA RECORD

STD. 204 (Rev. 6-2003) (REVERSE)

| | | | | | | | | | |
|--|---|--|---------------------|-----------------|---------------------|--------------------------------------|----------------|----------|----------------|
| 1 | <p><u>Requirement to Complete Payee Data Record, STD. 204</u></p> <p>A completed Payee Data Record, STD. 204, is required for payments to all non-governmental entities and will be kept on file at each State agency. Since each State agency with which you do business must have a separate STD. 204 on file, it is possible for a payee to receive this form from various State agencies.</p> <p>Payees who do not wish to complete the STD. 204 may elect to not do business with the State. If the payee does not complete the STD. 204 and the required payee data is not otherwise provided, payment may be reduced for federal backup withholding and nonresident State income tax withholding. Amounts reported on Information Returns (1099) are in accordance with the Internal Revenue Code and the California Revenue and Taxation Code.</p> | | | | | | | | |
| 2 | <p>Enter the payee's legal business name. Sole proprietorships must also include the owner's full name. An individual must list his/her full name. The mailing address should be the address at which the payee chooses to receive correspondence. Do not enter payment address or lock box information here.</p> | | | | | | | | |
| 3 | <p>Check the box that corresponds to the payee business type. Check only one box. Corporations must check the box that identifies the type of corporation. The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State provide their Taxpayer Identification Number (TIN). The TIN is required by the California Revenue and Taxation Code Section 18646 to facilitate tax compliance enforcement activities and the preparation of Form 1099 and other information returns as required by the Internal Revenue Code Section 6109(a).</p> <p>The TIN for individuals and sole proprietorships is the Social Security Number (SSN). Only partnerships, estates, trusts, and corporations will enter their Federal Employer Identification Number (FEIN).</p> | | | | | | | | |
| 4 | <p><u>Are you a California resident or nonresident?</u></p> <p>A corporation will be defined as a "resident" if it has a permanent place of business in California or is qualified through the Secretary of State to do business in California.</p> <p>A partnership is considered a resident partnership if it has a permanent place of business in California. An estate is a resident if the decedent was a California resident at time of death. A trust is a resident if at least one trustee is a California resident.</p> <p>For individuals and sole proprietors, the term "resident" includes every individual who is in California for other than a temporary or transitory purpose and any individual domiciled in California who is absent for a temporary or transitory purpose. Generally, an individual who comes to California for a purpose that will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident.</p> <p>Payments to all nonresidents may be subject to withholding. Nonresident payees performing services in California or receiving rent, lease, or royalty payments from property (real or personal) located in California will have 7% of their total payments withheld for State income taxes. However, no withholding is required if total payments to the payee are \$1,500 or less for the calendar year.</p> <p>For information on Nonresident Withholding, contact the Franchise Tax Board at the numbers listed below:</p> <table data-bbox="170 1365 1380 1428"> <tr> <td>Withholding Services and Compliance Section:</td> <td>1-888-792-4900</td> <td>E-mail address:</td> <td>wscs.gen@ftb.ca.gov</td> </tr> <tr> <td>For hearing impaired with TDD, call:</td> <td>1-800-822-6268</td> <td>Website:</td> <td>www.ftb.ca.gov</td> </tr> </table> | Withholding Services and Compliance Section: | 1-888-792-4900 | E-mail address: | wscs.gen@ftb.ca.gov | For hearing impaired with TDD, call: | 1-800-822-6268 | Website: | www.ftb.ca.gov |
| Withholding Services and Compliance Section: | 1-888-792-4900 | E-mail address: | wscs.gen@ftb.ca.gov | | | | | | |
| For hearing impaired with TDD, call: | 1-800-822-6268 | Website: | www.ftb.ca.gov | | | | | | |
| 5 | <p>Provide the name, title, signature, and telephone number of the individual completing this form. Provide the date the form was completed.</p> | | | | | | | | |
| 6 | <p>This section must be completed by the State agency requesting the STD. 204.</p> | | | | | | | | |
| | <p><u>Privacy Statement</u></p> <p>Section 7(b) of the Privacy Act of 1974 (Public Law 93-579) requires that any federal, State, or local governmental agency, which requests an individual to disclose their social security account number, shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it.</p> <p>It is mandatory to furnish the information requested. Federal law requires that payment for which the requested information is not provided is subject to federal backup withholding and State law imposes noncompliance penalties of up to \$20,000.</p> <p>You have the right to access records containing your personal information, such as your SSN. To exercise that right, please contact the business services unit or the accounts payable unit of the State agency(ies) with which you transact that business.</p> <p>All questions should be referred to the requesting State agency listed on the bottom front of this form.</p> | | | | | | | | |

ATTACHMENT 7

CERTIFICATION

CCC-307

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective Contractor to the clause(s) listed below. This certification is made under the laws of the State of California.

| | | |
|---|----------------------------------|--------------------------|
| <i>Contractor/Bidder Firm Name (Printed)</i> | | <i>Federal ID Number</i> |
| <i>By (Authorized Signature)</i> | | |
| <i>Printed Name and Title of Person Signing</i> | | |
| <i>Date Executed</i> | <i>Executed in the County of</i> | |

CONTRACTOR CERTIFICATION CLAUSES

1. **STATEMENT OF COMPLIANCE:** Contractor has, unless exempted, complied with the nondiscrimination program requirements. (Gov. Code §12990 (a-f) and CCR, Title 2, Section 8103) (Not applicable to public entities.)

2. **DRUG-FREE WORKPLACE REQUIREMENTS:** Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

b. Establish a Drug-Free Awareness Program to inform employees about:

- 1) the dangers of drug abuse in the workplace;
- 2) the person's or organization's policy of maintaining a drug-free workplace;
- 3) any available counseling, rehabilitation and employee assistance programs; and,
- 4) penalties that may be imposed upon employees for drug abuse violations.

c. Every employee who works on the proposed Agreement will:

- 1) receive a copy of the company's drug-free workplace policy statement; and,
- 2) agree to abide by the terms of the company's statement as a condition of employment on the Agreement.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (Gov. Code §8350 et seq.)

3. **NATIONAL LABOR RELATIONS BOARD CERTIFICATION:** Contractor certifies that no more than one (1) final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a

Federal court, which orders Contractor to comply with an order of the National Labor Relations Board. (Pub. Contract Code §10296) (Not applicable to public entities.)

4. CONTRACTS FOR LEGAL SERVICES \$50,000 OR MORE- PRO BONO REQUIREMENT: Contractor hereby certifies that contractor will comply with the requirements of Section 6072 of the Business and Professions Code, effective January 1, 2003.

Contractor agrees to make a good faith effort to provide a minimum number of hours of pro bono legal services during each year of the contract equal to the lesser of 30 multiplied by the number of full time attorneys in the firm's offices in the State, with the number of hours prorated on an actual day basis for any contract period of less than a full year or 10% of its contract with the State.

Failure to make a good faith effort may be cause for non-renewal of a state contract for legal services, and may be taken into account when determining the award of future contracts with the State for legal services.

5. EXPATRIATE CORPORATIONS: Contractor hereby declares that it is not an expatriate corporation or subsidiary of an expatriate corporation within the meaning of Public Contract Code Section 10286 and 10286.1, and is eligible to contract with the State of California.

6. SWEATFREE CODE OF CONDUCT:

a. All Contractors contracting for the procurement or laundering of apparel, garments or corresponding accessories, or the procurement of equipment, materials, or supplies, other than procurement related to a public works contract, declare under penalty of perjury that no apparel, garments or corresponding accessories, equipment, materials, or supplies furnished to the state pursuant to the contract have been laundered or produced in whole or in part by sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor or exploitation of children in sweatshop labor, or with the benefit of sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor or exploitation of children in sweatshop labor. The contractor further declares under penalty of perjury that they adhere to the Sweatfree Code of Conduct as set forth on the California Department of Industrial Relations website located at www.dir.ca.gov, and Public Contract Code Section 6108.

b. The contractor agrees to cooperate fully in providing reasonable access to the contractor's records, documents, agents or employees, or premises if reasonably required by authorized officials of the contracting agency, the Department of Industrial Relations, or the Department of Justice to determine the contractor's compliance with the requirements under paragraph (a).

7. DOMESTIC PARTNERS: For contracts over \$100,000 executed or amended after January 1, 2007, the contractor certifies that contractor is in compliance with Public Contract Code section 10295.3.

DOING BUSINESS WITH THE STATE OF CALIFORNIA

The following laws apply to persons or entities doing business with the State of California.

1. CONFLICT OF INTEREST: Contractor needs to be aware of the following provisions regarding current or former state employees. If Contractor has any questions on the status of any person rendering services or involved with the Agreement, the awarding agency must be contacted immediately for clarification.

Current State Employees (Pub. Contract Code §11410):

1). No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any state agency, unless the employment, activity or enterprise is required as a condition of regular state employment.

2). No officer or employee shall contract on his or her own behalf as an independent contractor with any state agency to provide goods or services.

Former State Employees (Pub. Contract Code §11411):

1). For the two-year period from the date he or she left state employment, no former state officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency.

2). For the twelve-month period from the date he or she left state employment, no former state officer or employee may enter into a contract with any state agency if he or she was employed by that state agency in a policy-making position in the same general subject area as the proposed contract within the 12-month period prior to his or her leaving state service.

If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (Pub. Contract Code §11420)

Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for per diem. (Pub. Contract Code §11430 (e))

2. LABOR CODE/WORKERS' COMPENSATION: Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement. (Labor Code Section 3700)

3. AMERICANS WITH DISABILITIES ACT: Contractor assures the State that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 et seq.)

4. CONTRACTOR NAME CHANGE: An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

5. CORPORATE QUALIFICATIONS TO DO BUSINESS IN CALIFORNIA:

a. When agreements are to be performed in the state by corporations, the contracting agencies will be verifying that the contractor is currently qualified to do business in California in order to ensure that all obligations due to the state are fulfilled.

b. "Doing business" is defined in R&TC Section 23101 as actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. Although there are some statutory exceptions to taxation, rarely will a corporate contractor performing within the state not be subject to the franchise tax.

c. Both domestic and foreign corporations (those incorporated outside of California) must be in good standing in order to be qualified to do business in California. Agencies will determine whether a corporation is in good standing by calling the Office of the Secretary of State.

6. RESOLUTION: A county, city, district, or other local public body must provide the State with a copy of a resolution, order, motion, or ordinance of the local governing body which by law has authority to enter into an agreement, authorizing execution of the agreement.

7. AIR OR WATER POLLUTION VIOLATION: Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

8. PAYEE DATA RECORD FORM STD. 204: This form must be completed by all contractors that are not another state agency or other governmental entity.

ATTACHMENT 8

DARFUR CONTRACTING ACT CERTIFICATION

Pursuant to Public Contract Code section 10478, if a bidder or proposer currently or within the previous three years has had business activities or other operations outside of the United States, it must certify that it is not a "scrutinized" company as defined in Public Contract Code section 10476.

Therefore, to be eligible to submit a bid or proposal, please insert your company name and Federal ID Number and complete only one of the following three paragraphs (via initials for Paragraph # 1 or Paragraph # 2, or via initials and certification for Paragraph # 3):

| | |
|---|--------------------------|
| <i>Company/Vendor Name (Printed)</i> | <i>Federal ID Number</i> |
| <i>Printed Name and Title of Person Initialing (for Options 1 or 2)</i> | |

1. _____
Initials We do not currently have, or we have not had within the previous three years, business activities or other operations outside of the United States.

OR

2. _____
Initials We are a scrutinized company as defined in Public Contract Code section 10476, but we have received written permission from the Department of General Services (DGS) to submit a bid or proposal pursuant to Public Contract Code section 10477(b). A copy of the written permission from DGS is included with our bid or proposal.

OR

3. _____
Initials We currently have, or we have had within the previous three years, business activities or other operations outside of the United States, but we certify below that we are not a scrutinized company as defined in Public Contract Code section 10476.
+ certification
below

CERTIFICATION For # 3.

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective proposer/bidder to the clause listed above in # 3. This certification is made under the laws of the State of California.

| | |
|---|--|
| <i>By (Authorized Signature)</i> | |
| <i>Printed Name and Title of Person Signing</i> | |
| <i>Date Executed</i> | <i>Executed in the County and State of</i> |

ATTACHMENTS 9, 10 & 11

PREFERENCE PROGRAMS (IF APPLICABLE)

Attach proof in claiming Small Business or Microbusiness Preference, Non-Small Business Preference, or Target Area Contract Preference Act Program, if applicable.

Small Business or Microbusiness Preference

<http://www.dgs.ca.gov/pd/Programs/OSDS.aspx>

Non-Small Business Preference

<http://www.dgs.ca.gov/pd/Programs/OSDS.aspx>

Target Area Contract Preference Act (TACPA) Program

www.dgs.ca.gov/pd/Programs/DisputeResolution.aspx

ATTACHMENT 12

**SECURITIES AND EXCHANGE COMMISSION FORM ADV (PART 1 AND PART 2)
OR PROOF OF EXEMPTION**

Attach the Securities and Exchange Commission Form ADV (Part 1 and Part 2) or Proof of Exemption from Registration.

ATTACHMENT 13

BIDDER DECLARATION

1. Prime bidder information (Review attached Bidder Declaration Instructions prior to completion of this form):

- a. Identify current California certification(s) (MB, SB, NVSA, DVBE): _____ or None ____** (If "None," go to Item #2)
- b. Will subcontractors be used for this contract? Yes ___ No ___** (If yes, indicate the distinct element of work your firm will perform in this contract e.g., list the proposed products produced by your firm, state if your firm owns the transportation vehicles that will deliver the products to the State, identify which solicited services your firm will perform, etc.). Use additional sheets, as necessary.

- c. If you are a California certified DVBE:**
 - (1) Are you a broker or agent? **Yes ___ No ___**
 - (2) If the contract includes equipment rental, does your company own at least 51% of the equipment provided in this contract (quantity and value)? **Yes ___ No ___ N/A ___**

2. If no subcontractors will be used, skip to certification below. Otherwise, list all subcontractors for this contract. (Attach additional pages if necessary):

| Subcontractor Name, Contact Person, Phone Number & Fax Number | Subcontractor Address & Email Address | CA Certification (MB, SB, NVSA, DVBE or None) | Work performed or goods provided for this contract | Corresponding % of bid price | Good Standing? | 51% Rental? |
|---|---------------------------------------|---|--|------------------------------|----------------|-------------|
| | | | | | | |
| | | | | | | |
| | | | | | | |

CERTIFICATION: By signing the bid response, I certify under penalty of perjury that the information provided is true and correct.

BIDDER DECLARATION Instructions

All prime bidders (the firm submitting the bid) must complete the Bidder Declaration.

1.a. Identify all current certifications issued by the State of California. If the prime bidder has no California certification(s), check the line labeled “None” and proceed to Item #2. If the prime bidder possesses one or more of the following certifications, enter the applicable certification(s) on the line:

- Microbusiness (MB)
- Small Business (SB)
- Nonprofit Veteran Service Agency (NVSA)
- Disabled Veteran Business Enterprise (DVBE)

1.b. Mark either “Yes” or “No” to identify whether subcontractors will be used for the contract. If the response is “No”, proceed to Item #1.c. If “Yes”, enter on the line the distinct element of work contained in the contract to be performed or the goods to be provided by the prime bidder. Do not include goods or services to be provided by subcontractors.

Bidders certified as MB, SB, NVSA, and/or DVBE must provide a commercially useful function as defined in Military and Veterans Code Section 999 for DVBEs and Government Code Section 14837(d)(4)(A) for small/microbusinesses.

Bids must propose that certified bidders provide a commercially useful function for the resulting contract or the bid will be deemed non-responsive and rejected by the State. For questions regarding the solicitation, contact the procurement official identified in the solicitation.

Note: A subcontractor is any person, firm, corporation, or organization contracting to perform part of the prime’s contract.

1.c. This item is only to be completed by businesses certified by California as a DVBE.

(1) Declare whether the prime bidder is a broker or agent by marking either “Yes” or “No”. The Military and Veterans Code Section 999.2 (b) defines “broker” or “agent” as a certified DVBE contractor or subcontractor that does not have title, possession, control, and risk of loss of materials, supplies, services, or equipment provided to an awarding department, unless one or more of the disabled veteran owners has at least 51-percent ownership of the quantity and value of the materials, supplies, services, and of each piece of equipment provided under the contract.

(2) If bidding rental equipment, mark either “Yes” or “No” to identify if the prime bidder owns at least 51% of the equipment provided (quantity and value). If **not** bidding rental equipment, mark “N/A” for “not applicable.”

2. If no subcontractors are proposed, do not complete the table. Read the certification at the bottom of the form and complete “Page ___ of ___” on the form.

If subcontractors will be used, complete the table listing all subcontractors. If necessary, attach additional pages and complete the “Page ___ of ___” accordingly.

2. (continued) Column Labels

Subcontractor Name, Contact Person, Phone Number & Fax Number—List each element for all subcontractors.

Subcontractor Address & Email Address—Enter the address and if available, an Email address.

CA Certification (MB, SB, NVSA, DVBE or None)—If the subcontractor possesses a current State of California certification(s), verify on this website (www.eprocure.pd.dgs.ca.gov).

Work performed or goods provided for this contract—Identify the distinct element of work contained in the contract to be performed or the goods to be provided by each subcontractor. Certified subcontractors must provide a commercially useful function for the contract. (See paragraph 1.b above for code citations regarding the definition of commercially useful function.) If a certified subcontractor is further subcontracting a greater portion of the work or goods provided for the resulting contract than would be expected by normal industry practices, attach a separate sheet of paper explaining the situation.

Corresponding % of bid price—Enter the corresponding percentage of the total bid price for the goods and/or services to be provided by each subcontractor. Do not enter a dollar amount.

Good Standing?—Provide a response for each subcontractor listed. Enter either “Yes” or “No” to indicate that the prime bidder has verified that the subcontractor(s) is in good standing for all of the following:

- Possesses valid license(s) for any license(s) or permits required by the solicitation or by law
- If a corporation, the company is qualified to do business in California and designated by the State of California Secretary of State to be in good standing
- Possesses valid State of California certification(s) if claiming MB, SB, NVSA, and/or DVBE status

51% Rental?—This pertains to the applicability of rental equipment. Based on the following parameters, enter either “N/A” (not applicable), “Yes” or “No” for each subcontractor listed.

Enter “N/A” if the:

- Subcontractor is NOT a DVBE (regardless of whether or not rental equipment is provided by the subcontractor) or
- Subcontractor is NOT providing rental equipment (regardless of whether or not subcontractor is a DVBE)

Enter “Yes” if the subcontractor is a California certified DVBE providing rental equipment and the subcontractor owns at least 51% of the rental equipment (quantity and value) it will be providing for the contract.

Enter “No” if the subcontractor is a California certified DVBE providing rental equipment but the subcontractor does NOT own at least 51% of the rental equipment (quantity and value) it will be providing.

Read the certification at the bottom of the page and complete the “Page ___ of ___” accordingly.

SAMPLE STANDARD AGREEMENT

STATE OF CALIFORNIA

STANDARD AGREEMENT

STD 213 (Rev 06/03)

AGREEMENT NUMBER

SIB 10-16

REGISTRATION NUMBER

1. This Agreement is entered into between the State Agency and the Contractor named below:

STATE AGENCY'S NAME

ScholarShare Investment Board

CONTRACTOR'S NAME

2. The term of this Agreement is:

3. The maximum amount \$ of this Agreement is:

4. The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement.

| | |
|--|----------------|
| Exhibit A – Scope of Work | 3 pages |
| Exhibit B – Budget Detail and Payment Provisions | 1 page |
| Attachment B-1 – Contractor's Cost Proposal | |
| Exhibit C* – General Terms and Conditions | GTC-610 |

Check mark one item below as Exhibit D:

Exhibit – D Special Terms and Conditions (Attached hereto as part of this agreement) **7 pages**

Exhibit – D* Special Terms and Conditions

Attachment D-1 - Resumes

RFP SIB 10-16 and Contractor's response thereto are hereby incorporated by reference and made a part of this agreement.

Items shown with an Asterisk (*), are hereby incorporated by reference and made part of this agreement as if attached hereto. These documents can be viewed at <http://www.dgs.ca.gov/ols/Resources/StandardContractLanguage.aspx>

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR

CONTRACTOR'S NAME (if other than an individual, state whether a corporation, partnership, etc.)

BY (Authorized Signature)

DATE SIGNED(Do not type)



PRINTED NAME AND TITLE OF PERSON SIGNING

ADDRESS

STATE OF CALIFORNIA

AGENCY NAME

BY (Authorized Signature)

DATE SIGNED(Do not type)



PRINTED NAME AND TITLE OF PERSON SIGNING

ADDRESS

*California Department of General
Services Use Only*

Exempt per:

EXHIBIT A
(Standard Agreement)

SCOPE OF WORK

1) Purpose of Service

The ScholarShare Investment Board (SIB) is the state entity that is responsible for effective and efficient administration of the Golden State ScholarShare College Savings Trust (Trust). The Trust was created through state legislation in 1997 (Chapter 851, Statute of 1997) and is a qualified State tuition program as defined in Section 529 of the Internal Revenue Code. SIB also administers the Governor's Scholarship Programs which rewarded public school students who demonstrated high academic achievement with scholarships.

An individual or firm is needed to provide SIB with investment consulting services in connection with SIB's responsibility to revise (as needed) the investment policy for the Trust and to assist the SIB or its designee in monitoring the performance of the ScholarShare Program Manager(s), currently TIAA-CREF Tuition Financing, Inc. (TFI)).

2) Description of Service

The following scope of work details SIB's expectations generally for an investment consultant (sometimes referred to as the "Contractor"). These services may include, but are not limited to the following:

- Under the direction of SIB or its designee, analyze and evaluate asset allocation plans for the Trust based on age groups of its beneficiaries as well as allocation for risk reduction.
- Review and analyze the investment performance of the program manager(s) of the Trust using criteria developed by SIB as well as criteria developed by the program manager(s) or outside consultants. Periodically, there may be additional evaluations comparing ScholarShare investment performance and fees to the performance between the national plans and/or other 529 state plans. Regularly review and propose changes to the Investment Policy and Monitoring Procedures as needed.
- Conduct monthly evaluations of the Trust which compare monthly investment results to appropriate indices and SIB policies, including compliance by the program manager(s) to these policies, and provide evaluations to SIB or its designee within 10 business days of receiving the data from each program manager.
- Advise SIB or its designee of which data should be reported from the program manager(s).
- Provide clarification and assistance to SIB in understanding various investment vehicles and the investment market. This may include providing training seminars, as necessary, on rates of return, investment products, strategies or other fundamental concepts of investing to SIB and its staff.
- Inform the SIB or its designee in the event of significant changes in the investment climate or market conditions that could affect Trust investments.
- Provide general advice, counsel, and recommendations on a variety of investment related matters regarding the Trust including investment personnel, investment strategy, investment

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portfolio addition or division, as well as overall investment health of the program manager(s), other 529 vendors, and 529 industry issues and trends.

- Participate in the development of request for proposals and subsequent selection process.
 - Work with SIB's consultants and program manager(s) if needed.
 - Attend SIB meetings unless notified otherwise by the SIB or its designee. It is anticipated that the SIB will meet approximately four times per year.
 - Be available to consult with SIB members and the Executive Director from 8:00 a.m. to 5:00 p.m. Pacific Time, Monday through Friday.
 - Respond to the need for telephone consultation within a 24-hour period and be available for meetings with SIB with no greater than 10 days' notice.
- 3) The services shall be performed at the offices of the Contractor and at the offices of appropriate affiliates, related entities, subsidiaries and subcontractors; however there will be some mandatory meetings at 915 Capitol Mall, Sacramento, California 95814.
- 4) Contractor shall ensure that the quality and availability of its personnel assigned to this agreement will be maintained over the term of the agreement. Any changes in assigned personnel are at the discretion of the firm, provided that any replacements have substantially the same as or better qualifications and experience than the original personnel.
- 5) The performance of the Contractor will be evaluated based on the criteria outlined below.
- Responsiveness and timeliness in responding to inquiries made by SIB (members, Executive Director, and staff).
 - Availability to SIB for conference calls and board meetings, as needed.
 - Quality, completeness and timeliness in providing reports, memos, analyses and recommendations to SIB for review and consideration.
 - Quality and accuracy of information, data and support included in all product submitted to SIB.
 - Ability to provide SIB with, or direct SIB, to appropriate resources for information.
 - Ability to provide SIB with up-to-date information on industry standards, changes in the law and state comparisons.
 - Availability of resources to adequately perform on contract requirements (staff, consultants, etc.).
 - Demonstrates working relationships with industry peers and organizations.
 - Demonstrates the ability to provide day-to-day management of tasks, coordination of support and administrative activities, and supervision of all Contractor employees.
 - Possesses the technical and functional skills, and knowledge to direct all aspects of the contract.

EXHIBIT A
(Standard Agreement)

- 6) The project representatives during the term of this agreement will be:

| | |
|--|-------------|
| State Agency: ScholarShare Investment Board | Contractor: |
| Name: Julio Martinez | Name: |
| Phone: 916-651-6380 | Phone: |
| Fax: 916-589-2835 | Fax: |

- 7) Distribution/Ownership/Confidentiality of Data

The distribution of all data produced by the Contractor is restricted to SIB. This data becomes property of SIB, and SIB reserves exclusive rights to its further dissemination. In addition, Contractor shall keep confidential any information which identifies, or may identify, ScholarShare account holders.

- 8) Conflict of Interest

Contractor may not currently or during the term of this agreement have a contractual or other business relationship with any investment management services contractor that provides services for the Trust or any investment manager directing funds in the ScholarShare portfolio, either on its own or in partnership, with other entities. The Contractor shall notify SIB immediately in the event that such a relationship begins. Should the Contractor begin such a relationship, the agreement may be terminated immediately by SIB on the ground of conflict of interest and any payments made subsequent to the creation of the conflict shall be disgorged by the contract. Also, the Contractor may continue to perform and receive payment under this agreement only if SIB executes a written waiver of conflict, which waiver may not be given retroactive effect.

This section applies to any subcontractors the Contractor may utilize for this agreement. Ownership of a ScholarShare account does not constitute a business relationship for the purposes of this article.

- 9) Agreement Extension

SIB shall have the option (with Contractor's approval) to extend this agreement for one year. The Contractor will be evaluated based on the criteria outlined in Section 5 of this Exhibit A to determine the quality of work and if renewal of the agreement is warranted. The amendment to extend the agreement for one year will be subject to the approval of SIB and the Department of General Services.

If the agreement is extended for one year, all rates will be as stated in Contractor's Cost Proposal for Year Three. Travel costs for the one year extension are capped at \$10,000.

EXHIBIT B
(Standard Agreement)

BUDGET DETAIL AND PAYMENT PROVISIONS

1. Invoicing and Payment

- A. For services satisfactorily rendered, and upon receipt and approval of the invoices, the State agrees to compensate the Contractor for actual expenditures incurred in accordance with the rate specified herein, which is attached hereto as Attachment B-1 and made part of this agreement. Travel costs are capped at \$10,000 per year. The rates for necessary traveling expenses and per diem shall be set in accordance with the rates of the California Department of Human Resources (CalHR) for comparable classes and no travel outside the State of California shall be reimbursed unless prior written authorization is obtained from SIB.
- B. Invoices shall include the Agreement Number and shall be submitted in triplicate not more frequently than monthly in arrears to:

ScholarShare Investment Board
915 Capitol Mall, Room 105
Sacramento, CA 95814
Attention: Julio Martinez

In consideration for the satisfactory completion of the services described herein, SIB agrees to pay Contractor, in arrears, upon receipt of an invoice, for services rendered under this Agreement. The invoice shall be submitted by Contractor in sufficient scope and detail to define the actual work performed and specific milestones completed, including a description of the activities of Contractor and subcontractors and the hours allocated to those activities. The hourly rate for services rendered shall not exceed those as set forth herein or as attached hereto.

2. Budget Contingency Clause

- A. It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.
- B. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, the State shall have the option to either cancel this Agreement with no liability occurring to the State, or offer an agreement amendment to Contractor to reflect the reduced amount.

3. Prompt Payment Clause

Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927.

EXHIBIT C
(Standard Agreement)

GENERAL TERMS AND CONDITIONS

Exhibit C to this Agreement, the General Terms and Conditions (GTC-610), is hereby incorporated by reference and made part of this agreement as if attached hereto. The General Terms and Conditions can be viewed at:

<http://www.dgs.ca.gov/ols/Resources/StandardContractLanguage.aspx>.

**EXHIBIT D
(Standard Agreement)**

SPECIAL TERMS AND CONDITIONS

1. Excise Tax

The State of California is exempt from federal excise taxes, and no payment will be made for any taxes levied on employees' wages. The State will pay for any applicable State of California or local sales or use taxes on the services rendered or equipment or parts supplied pursuant to this Agreement. California may pay any applicable sales and use tax imposed by another state.

2. Settlement of Disputes

In the event of a dispute, Contractor shall file a "Notice of Dispute" with a Deputy Treasurer of the State Treasurer's Office within ten (10) days of discovery of the problem. Within ten (10) days, the Deputy Treasurer shall meet with the representatives of Contractor and the State identified in Section 6 of Exhibit A for purposes of resolving the dispute. The decision of the Deputy Treasurer shall be final.

In the event of a dispute, the language contained within this Agreement shall prevail over any other language including that of any bid proposal.

3. Evaluation of Contractor

Pursuant to Public Contract Code sections 10367 and 10369 within sixty (60) days after the completion of this Agreement, the State shall complete a written evaluation of Contractor's performance under this Agreement. If this Agreement is a contract for consultant services and if Contractor did not satisfactorily perform the work, a copy of the evaluation will be sent to the Department of General Services (DGS), Office of Legal Services, and to the Contractor within fifteen (15) working days of the completion of the evaluation in accordance with Public Contract Code section 10371.

4. No Agency Liability

The Contractor warrants by execution of this Agreement that no person or selling agency has been employed or retained to solicit or secure this Agreement upon agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the State shall, in addition to other remedies provided by law, have the right to annul this Agreement without liability, paying only for the value of the work actually performed, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

5. Potential Subcontractors

Nothing contained in this Agreement or otherwise, shall create any contractual relationship between the State and any subcontractors, and no subcontract shall relieve the Contractor of his responsibilities and obligations hereunder. The Contractor agrees to be as fully responsible to the State for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by the Contractor. The Contractor's obligation to pay its subcontractors is an independent obligation from the obligation of the State to make payments to the Contractor. As

**EXHIBIT D
(Standard Agreement)**

a result, the State shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

6. Force Majeure

Neither party to this Agreement shall be liable for damages resulting from delayed or defective performance when such delays arise out of causes beyond the control and without the fault or negligence of the offending party. Such causes may include, but are not restricted to, acts of God or of the public enemy, acts of the State in its sovereign capacity, fires, floods, power failure, disabling strikes, epidemics, quarantine restrictions, and freight embargoes.

7. Waivers

No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

8. Incorporation of Amendments to Applicable Laws

Any references to sections of federal or state statutes or regulations shall be deemed to include a reference to any amendments thereof and any successor provisions thereto.

9. Confidentiality

All financial, statistical, personal, technical and other data and information relating to the operations of the State which are designated confidential by the State and become available to Contractor shall be protected by Contractor from unauthorized use and disclosure.

10. Titles/Section Headings

Titles and headings are for convenience of reference only, and shall have no effect on the construction or legal effect of this Agreement.

11. Choice of Law

Notwithstanding Paragraph 14 of Exhibit C (General Terms and Conditions), this Agreement shall be administered, construed, and enforced according to the laws of the State of California (without regard to any conflict of laws provisions) to the extent such laws have not been preempted by applicable federal law. Any suit brought hereunder, including any action to compel arbitration or to enforce any award or judgment rendered thereby, shall be brought in state court sitting in Sacramento, California, the parties hereby waiving any claim or defense that such forum is not convenient or proper. Each party agrees that any such court shall have in personam jurisdiction over it and consents to service of process in any manner authorized by California law.

**EXHIBIT D
(Standard Agreement)**

12. Notices

The parties agree that to avoid unreasonable delay in the progress of the services performed hereunder, Contractor and the State have designated in Section 6 of Exhibit A specific staff representatives for the purpose of communication between the parties. Any notice or other written communication required or which may be given hereunder shall be deemed given when delivered personally, or by mail three (3) days after the date of mailing, unless by express mail then upon the date of confirmed receipt, to the representatives named in Section 6 of Exhibit A.

Either party hereto may, from time to time by notice in writing served upon the other as aforesaid, designate a different mailing address or a different or additional person to which all such notices or demands thereafter are to be addressed.

13. Permits and Licenses

Contractor shall carry out its duties and responsibilities herein in accordance with, be limited in the exercise of its rights by, and observe and comply with, all federal, state, city and county laws, rules or regulations affecting services under this Agreement. Contractor shall procure and keep in full force and effect during the term of this Agreement all permits and licenses necessary to accomplish the work contemplated in this Agreement.

14. Books and Records

Contractor shall keep accurate books and records connected with the performance of this Agreement for a period of at least three (3) years. Contractor shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location and shall be available for inspection and copying by the State and its representatives at any time.

15. Key Personnel

- a. A resume for each member of Contractor's staff who will exercise a significant administrative, policy, or consulting role under this Agreement is attached to this Agreement as Attachment D-1. These members of Contractor's staff shall be hereafter referred to (both individually and collectively) as "Key Personnel."
- b. Contractor shall not substitute, replace or reassign Key Personnel without the prior approval of the State and an amendment to this Agreement.
- c. This Agreement may be terminated immediately, in the sole discretion of the State and upon written notice from the State to Contractor, because of any change in or departure of any of the Key Personnel.

16. Changes in Control, Organization or Key Personnel

Contractor shall promptly, and in any case within five (5) days, notify the State in writing: (i) if any of Contractor's representations and warranties, as set forth in this Agreement, cease to be true at any time during the term of this Agreement; (ii) of any change in Contractor's staff who exercises a significant administrative, policy, or consulting role under this Agreement, including without limitation any Key Personnel; (iii) of any change in the majority ownership, control, or

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business structure of Contractor; or (iv) of any other material change in Contractor's business, partnership or corporate organization. All written notices from Contractor under this provision shall contain sufficient information to permit the State to evaluate the changes within Contractor's staff or organization under the same criteria as was used by the State in its award of this Agreement to Contractor.

17. Insurance Requirements

Contractor warrants that it carries adequate liability, worker's compensation and other necessary insurance and shall maintain such insurance at levels acceptable to the State in full force and effect during the term of this Agreement. Contractor agrees to furnish satisfactory evidence of this insurance coverage to the State upon request.

18. Subcontractors

- a. Contractor shall perform the work contemplated by this Agreement with resources available within its own organization except for subcontracted work identified in this Agreement or other attachment incorporated hereto. No other portion of the work pertinent to this Agreement shall be subcontracted without written authorization by the State. The subcontractor must be mutually agreed upon in advance by both parties.
- b. Contractor shall require that any subcontractor agree to be bound by all provisions of this Agreement, as applicable.

19. Notice of Proceedings

Contractor shall promptly notify the State in writing of any investigation, examination or other proceeding involving Contractor, including any Key Personnel, commenced by any regulatory agency, which proceeding is not conducted in the ordinary course of Contractor's business.

20. Cumulative Remedies

The rights and remedies provided herein are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity.

21. Binding Effect

This Agreement, any instrument or agreement executed pursuant to this Agreement, and the rights, covenants, conditions and obligations of Contractor and the State contained therein, shall be binding upon the parties and their successors, assigns and legal representatives.

22. Publicity

No publicity release or announcement concerning this Agreement or the transactions contemplated herein shall be issued by Contractor without advance written approval by the State.

23. Services or Procurement Resulting from Agreement

Neither Contractor, nor any of its subsidiaries, officers or directors, may submit a bid or be awarded a contract for the provision of services, procurement of goods or supplies, or any other

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(Standard Agreement)**

related action which is required, suggested, or otherwise deemed to be an outgrowth of the advice or recommendations that Contractor provides under this Agreement.

24. Agreement Does Not Violate Law

Contractor represents and warrants that neither the execution of this Agreement nor the acts contemplated hereby nor compliance by Contractor with any provisions hereof will:

- a. Violate any provision of the charter documents of Contractor;
- b. Violate any statute or law or ordinance or any judgment, decree, order, regulation or rule of any court or governmental authority applicable to Contractor; or
- c. Violate, or be in conflict with, or constitute a default under, or permit the termination of, or require the consent of any person under, any agreement to which Contractor may be bound, the violation of which in the aggregate would have a material adverse effect on the properties, business, prospects, earnings, assets, liabilities or condition (financial or otherwise) of Contractor.

25. Power and Authority

Contractor represents and warrants that it has the power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution of this Agreement has been duly authorized by Contractor and no other proceeding on the part of Contractor is necessary to authorize this Agreement. Contractor has completed, obtained and performed all registrations, filings, approvals, authorizations, consents or examinations required by any government or governmental authority for its acts contemplated by this Agreement.

26. Signature Authorization

The person signing this Agreement warrants that he/she is an agent of Contractor and is duly authorized to enter into this Agreement on behalf of Contractor.

27. Entire Agreement; Order of Precedence

- a. This Agreement, including documents that have been incorporated in this Agreement by reference, contains all representations and the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Agreement.
- b. In the event there are any inconsistencies or ambiguities among the terms of this Agreement and incorporated documents, the following order of precedence shall be used: (i) applicable laws; (ii) the terms and conditions of this Agreement, including exhibits and attachments; (iii) the Request for Proposal (RFP) if any; (iv) Contractor's response to the RFP if any; and (v) any other provisions, terms, or materials incorporated herein.

**EXHIBIT D
(Standard Agreement)**

28. Termination at Option of the State

In addition to the provisions of Paragraph 7 of Exhibit C (General Terms and Conditions), this Agreement may be terminated in whole or in part at any time upon 30 calendar days' written notice by the State, for any reason. Upon receipt of a termination notice, Contractor shall promptly discontinue all services affected unless the notice specifies otherwise. In the event the State terminates all or a portion of this Agreement for any reason, it is understood that the State will provide payment to Contractor for satisfactory services rendered prior to the termination, but not in excess of the maximum amount of this Agreement.

29. Termination for Insolvency

Contractor shall notify the State immediately in writing in the event that Contractor files any federal bankruptcy action or state receivership action, any federal bankruptcy or state receivership action is commenced against Contractor, Contractor is adjudged bankrupt, or a receiver is appointed and qualifies. In the event of any of the foregoing events, or if the State determines, based on reliable information, that there is a substantial probability that Contractor will be financially unable to continue performance under this Agreement, the State may terminate this Agreement and all further rights and obligations immediately.

30. Completion

In the event of termination for default, the State reserves the right to take over and complete the work by contract or other means. In such case, Contractor will be liable to the State for any additional cost incurred by the State to complete the work whether reimbursed or not.

31. Effect of Termination

All duties and obligations of the State and Contractor shall cease upon termination of this Agreement, except that:

- a. Each party shall remain liable for any rights, obligations, or liabilities arising from activities carried on by it under this Agreement prior to the effective date of termination; and
- b. Contractor shall provide for the return of all records of the State to the State or its designee and shall cooperate fully to effect an orderly transfer of services.

32. Termination for Expatriation

Contractor shall notify the State immediately in writing in the event that Contractor or its parent files any notice with the Securities and Exchange Commission that Contractor intends to reincorporate offshore. In the event of such notice, the State may terminate this Agreement and all further rights and obligations immediately by giving five (5) days' notice in writing in the manner specified herein.

33. Compliance With Political Reform Act

Contractor acknowledges that the State is subject to the provisions of the Political Reform Act (Government Code section 81000 et seq. and all regulations adopted thereunder, including, but not limited to, California Code of Regulations, title 2, section 18700 et. seq.)

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and Contractor shall comply promptly with any requirement thereunder. If required by law, Contractor shall require its personnel, including without limitation, its Key Personnel all later substitutions therefore, to file Statements of Economic Interests in compliance with the Conflict of Interest Code for the Office of the State Treasurer and the various boards, authorities, commissions, and committees chaired by the State Treasurer (California Code of Regulations, title 2, section 1897). All such reports shall be filed simultaneously with the State.

34. Darfur Contracting Act

Effective January 1, 2009, all Invitations for Bids (IFB) or Requests for Proposals (RFP) for goods or services must address the requirements of the Darfur Contracting Act of 2008 (Act). (Public Contract Code section 11475 et seq.) The Act was passed by the California Legislature and signed into law by the Governor to preclude State agencies generally from contracting with "scrutinized" companies that do business in the African nation of Sudan of which the Darfur region is a part, for the reasons described in Public Contract Code section 11475.

A scrutinized company is a company doing business in Sudan as defined in Public Contract Code section 11476. Scrutinized companies are ineligible to, and cannot, bid on or submit a proposal for a contract with a State agency for goods or services. (Public Contract Code section 11477(a).)

Therefore, Public Contract Code section 11478(a) requires a company that currently has (or within the previous three years has had) business activities or other operations outside of the United States to certify that it is not a "scrutinized" company when it submits a bid or proposal to a State agency. A scrutinized company may still, however, submit a bid or proposal for a contract with a State agency for goods or services if the company first obtains permission from DGS according to the criteria set forth in Public Contract Code section 11477(b).