

**Office of the Special Deputy Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, IL 60654
312-836-9500
www.osdchi.com**

REQUEST FOR PROPOSALS

Fixed Income Investment Advisor

June 15, 2012

CONTENTS

- I. Background**
- II. Objectives**
- III. Timetable**
- IV. Proposals – General**
- V. Proposal Guidelines**
- VI. Organizational Information**
- VII. Firm Personnel**
- VIII. Client Service**
- IX. Compliance**
- X. Governance**
- XI. Trading**
- XII. Brokerage/Soft Dollars**
- XIII. Firm Risk**
- XIV. Product Information**
 - Personnel**
 - Proposal Product**
 - Assets Under Management**
 - Investment Philosophy & Process**
 - Product Risk**
 - Research**
 - Portfolio Characteristics & Sector Weightings**
 - Specific Questions for Fixed Income**
 - Fees & Account Minimums**
- XV. Performance**
 - Performance**
 - GIPS Compliance**
- XVI. Minimum Qualifications Criteria**
 - Investment Professionals**

XVII. Proposal Evaluation Criteria
Evaluation of Compliance
Evaluation of Responsiveness
Evaluation of Fees
Evaluation Score

XVIII. Standard Terms and Conditions

I. Background

Pursuant to the Illinois Insurance Code (the “Code”), the Director of Insurance of the State of Illinois (the “Director”), is appointed as Conservator, Rehabilitator or Liquidator of domestic insurance companies that have been determined by the state courts to be insolvent or to meet provisions or grounds for conservation, rehabilitation or liquidation as specified in the Code. The Director, as Conservator, takes possession and control of the insurance company for the purpose of determining its condition. The Conservator maintains possession and control of the company until the court vacates the seizure order, either when the Director determines not to institute proceedings against the insurance company for rehabilitation or liquidation or upon court order pursuant to conservation proceedings. As Rehabilitator, the Director conducts the business of the insurance company and implements a plan of rehabilitation, if feasible. As Liquidator, the Director marshals the assets of the insurance company and liquidates such assets as appropriate, while managing the business and affairs of the company as approved by the state courts, including the payment of court approved creditors’ claims.

The Director is empowered by the Code to appoint a Special Deputy as the Director’s agent to supervise the conservation, rehabilitation or liquidation of the insurance companies. The Office of the Special Deputy Receiver (the “OSD”), an Illinois not-for-profit corporation, supports the activity of the Special Deputy acting in that capacity to manage the affairs of insurance companies placed in conservation, rehabilitation or liquidation (each an “Estate” and, collectively, the “Estates”). The activities of conservation, rehabilitation and liquidation are conducted at the OSD located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654.

II. Objectives

The OSD employs a conservative investment strategy with respect to the Estates’ assets. When the OSD is assigned a new Estate, the Estate’s portfolio is liquidated and reinvested. As of June 15, 2012, the total number of Estates was approximately 17, the aggregate value of all Estates was approximately \$159 million, and the median Estate has an aggregate value of \$851,000.00. This amount fluctuates, increasing as new Estates are assigned to the OSD and decreasing as Estate assets are distributed.

The OSD is seeking to engage an established and experienced investment management firm (“Firm”) to manage the assets of certain Estates selected by OSD. The OSD has limited the Firms it will consider for this engagement to investment management firms with at least \$1 billion in fixed income assets under management. The OSD maintains separate custody accounts for each of the Estates it currently manages and the Firm will be requested to maintain separate

accounts for each Estate. For this engagement, the OSD is seeking a “core plus” fixed income investment approach and has identified a proposed benchmark of The Barclays Capital U.S. Aggregate Bond Index. However, the OSD will entertain proposals from Firms that suggest an alternative benchmark, provided that broadly reflects a similar investment objective.

The OSD Procurement Policy necessitates that this engagement be rebid after a period of not more than five (5) years. Accordingly, the award of contract will consist of an agreement for an initial term of three (3) years with OSD options for two (2) one (1) year renewals. The services to be provided by the Firm would include the following:

- A. Entering into an Investment Management Agreement (“IMA”) that contains substantially the same material terms as the IMA attached hereto as Exhibit A (each Estate would maintain a separate account with the Firm, but the relationship between the OSD and the Firm would be governed by the IMA);
- B. Assistance with drafting Investment Guidelines for the management of the Estates’ accounts similar to those incorporated as Schedule 1 of the IMA attached hereto as Exhibit A;
- C. As an investment fiduciary, providing discretionary fixed income management of the Estate’s assets using a core plus strategy; and
- D. As needed from time to time, liquidating securities held by new Estate assignments and transferring cash and liquidation proceeds to such Estate’s account.

III. Timetable

OSD will employ a two-tiered evaluation process. During the first phase, OSD will entertain written questions and written proposals from interested managers. Following the first phase, OSD will evaluate the proposals and invite a limited number of managers to participate in in-person discussions with OSD’s staff. OSD will then select its service provider and finalize the legal documents.

EVENT	DATE
RFP Published on the OSD Website	June 15, 2012
Deadline For Written Questions	June 29, 2012
Written Responses to Questions Posted to OSD Website	July 9, 2012
Written Proposals Submitted to OSD	July 16, 2012
Expected Completion of OSD Initial Evaluation	July 25, 2012
In-Person Meetings with Initial Managers	August 1, 2012
Notification To Selected Firm	August 8, 2012

Finalize Investment Management Agreement

TBD

Court Approval, As Required

TBD

IV. Proposals – General – No Contact With Director of Insurance Or Special Deputy Receiver

Send or deliver your proposal package, consisting of one signed original and five printed copies of your proposal to:

Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 1450
Chicago, IL 60654
Attn: Michael Gleeson
Chief Financial Officer

All proposal packages must be actually received by the OSD no later than 4:00 P.M. Central Time on July 16, 2012. Any proposal package that is incomplete, or actually received after 4:00 P.M. Central Time on July 16, 2012 shall be disqualified from consideration for award.

From the date this RFP is issued until the contract award has been announced, no proposer may initiate any contact regarding this RFP with the Director of Insurance, the Special Deputy Receiver, or any officer or Director of the OSD, other than by way of written inquiries, which must be directed to the OSD's Chief Financial Officer:

Michael Gleeson
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 1450
Chicago, IL 60654
mgleeson@osdchi.com
fax: (312)836-1944

Michael Gleeson shall be the sole point of contact for questions, suggestions, and requests until the contract award has been announced. This prohibition includes, but is not limited to, any lobbying of individuals considered to have any influence over proposal evaluation and selection. Violation of this provision may be grounds for immediate disqualification and prohibition from participation in future requests for proposals or other relationships with OSD.

If it becomes necessary to revise any part of the RFP, or if additional information is necessary for a clarification of provisions within this RFP, prior to the due date for proposals, a supplement will be provided to all known respondents and posted on the OSD's website. If a supplement is necessary, the OSD may extend the due date and time of the proposals to accommodate any additional information requirements.

V. Proposal Guidelines

- A. Proposals must include a statement as to your understanding of the assignment, its scope and duration.
- B. As noted above, the investment objective for this engagement is “core plus” fixed income. The OSD has identified The Barclays Capital U.S. Aggregate Bond Index as the proposed benchmark for the management of the Estates’ assets. Proposals should include proposed investment guidelines and, if appropriate, an alternative suggested benchmark.

Proposals must include the specific information requested below.

VI. Organizational Information

Please provide the following information:

- 1. Firm name.
- 2. Firm headquarters mailing address.
- 3. Firm headquarters telephone number, including country code.
- 4. Name of individual(s) completing questionnaire.
- 5. Individual(s) telephone number(s), and address(es).
- 6. Individual(s) fax number(s).
- 7. Individual(s) e-mail address(es).
- 8. Date questionnaire completed (Day/Month/Year).
- 9. Firm classification:
 - Bank
 - Insurance Company
 - SEC-Registered Investment Adviser
 - Non-U.S. Registered Investment Adviser (country and entity registered with: _____)
 - OtherIf other, please explain _____.
- 10. Brief history of firm, including ownership, with an emphasis on any material developments in the past three years. Please include prior names and the length of time your organization has been in business under its present name and ownership.
- 11. Organizational chart of firm.
- 12. Firm’s current succession plans.

13. Name of parent firm (if any) and the name of affiliations or subsidiaries (if any).
14. Date of firm inception.
15. Name of regulatory body overseeing the firm, this product, and the dates of registration, as appropriate.
16. Firm's fidelity bond and fiduciary liability insurance policies, including coverage amounts.
17. Confirm, with support, the financial solvency of the firm.
18. Describe any long-term debt of the firm.
19. Provide the minimum asset under management necessary for the firm to remain profitable under its current operating model.
20. Describe any changes in ownership occurring during the last 5 years.

VII. Firm Personnel

1. Please fill out the following table, listing the number of individuals in each job function. If individuals hold multiple job functions or responsibilities, only count them once under their main responsibility and please detail this in the "Notes" section at the bottom of the table.

Job Function	Number of Employees	Avg. Yrs. Experience	Avg. Yrs. Tenure
Compliance personnel			
Portfolio managers			
Research analysts			
Traders			
Economists			
Client service			
Marketing			
Other staff			
Total firm employees			
Notes:			

2. Provide brief biographies of investment professionals.

3. Provide the ownership percentage held by investment professionals.
4. Describe the compensation plan of investment professionals, including basis of bonus plans.
5. Describe any employment agreements or other contractual obligations between the firm and the investment professionals. Provide the turnover rate of employees generally and investment professionals during the last 5 years.

VIII. Client Service

1. Please indicate the scope of services that will be provided for the Estates' accounts. Please include a description of how client servicing/communication responsibilities are divided between portfolio managers and client service/marketing personnel and how often portfolio managers would meet with the OSD to review the Estates' portfolios.
2. Please describe the client-reporting process. How frequently are reports made available?
3. Please indicate which firm personnel would be dedicated to OSD's account.

IX. Compliance

1. Please describe the compliance assessment process, including the time period covered, testing methods, and frequency.
2. When was the last compliance assessment? Please attach a summary of the report, if possible.
3. To whom does the chief compliance officer report?
4. Please provide a copy of the registration forms you have provided to your firm's regulator (including the Firm's Form ADV).
5. When was your firm's last regulatory inspection? Please provide a summary of the inspection results.
6. Has any regulatory body or market authority issued any orders or other sanctions against your firm in the last five years? If yes, please describe.

7. Is your firm or any affiliate the focus of any pending or ongoing litigation, formal investigation, or administrative proceedings related to investment management activities? If yes, please describe.
8. Have the principals of your firm been under investigation related to investment management activities in the last five years? If yes, please explain.
9. Provide a copy of your firm's Code of Ethics.
10. Provide a copy of your disaster recovery and business continuity procedures.
11. Describe software, systems and processes in place to ensure compliance with client-specific guidelines and regulations.

X. Governance

1. Please provide a summary of your firm's internal control structure.
2. Please describe any potential conflicts of interest your firm may have in the management of the Estates' accounts. If there are conflicts, please describe how they are addressed. When answering this question, you may refer to your firm's Form ADV or another disclosure document, if appropriate.

XI. Trading

1. Please describe any restrictions you may have on client-directed transactions.
2. Please describe your policies and procedures concerning trading and execution, including those relating to (i) how your firm seeks to achieve best execution; (ii) how your firm ensures equitable trading for all clients (i.e., the account of one client is not favored above the account of another) and exceptions to this policy, if any; (iii) allocation of trades (e.g., by portfolio manager or automated); and (iv) side-by-side management of hedge funds and other products, if applicable. When answering this question, you may refer to your firm's Form ADV or another disclosure document, if appropriate.
3. Provide your personnel trading policy for employees/investment professionals and summarize any violations and the actions taken following such violations during the last 5 years.

XII. Brokerage/Soft Dollars

What is your firm's approach to the use of soft dollar arrangements? If your firm anticipates that it would generate soft dollar credits from the Estates' fixed income trades, please explain the expected soft dollar arrangements.

XIII. Firm Risk

Please provide a short biography or resume of the person(s) who is (are) responsible for the overall risk management of your firm.

XIV. Product Information

Personnel

1. Please provide a list of all key personnel who would be involved in the management of the Estates' accounts (or currently dedicated to the product in which the Estates would invest), including the lead portfolio manager, marketing personnel, and research analysts. For the lead portfolio manager, please include the size and quantity of portfolios he or she currently manages within this product and any other strategies he or she works on. For each individual, please answer in the format below and attach biographies.

Name	Title	Education	Role at Firm	Total Inv. Exp. (years)	Tenure with Firm (years)

Proposed Product

1. Please provide the specific name and the inception date of the product under consideration.
2. What is the investment objective of this product?
3. What benchmark is most appropriate for this product and why?
4. Provide year-to-date, 5-year and since inception performance review of the product(s) in question.
5. Provide any specific distinguishing characteristics of your firm with respect to this product or in the industry.

Assets under Management

1. Please fill out the following tables for the product in question:

Account Type	Asset Amounts	Number of Accounts

Corporate		
Public fund		
Union/multi-employer		
Foundation and endowment		
Insurance		
High-net-worth Individuals		
Wrap accounts		
Sub-advised assets		
Other, please explain		
Total		

Vehicle Type	Asset by Vehicle	Accounts by Vehicle
Separate account		
Commingled fund		
Mutual fund: institutional class		
Mutual fund: retail class		

2. Please discuss the reasons for any accounts lost in the past year that had invested in this product.
3. Please provide a representative client list for this product and at least three client references. For each reference, please include the client's name and the length of the relationship as well as the client's e-mail address and phone number.

Investment Philosophy and Process

1. Please briefly describe your firm's investment philosophy. How has it changed since the inception of this product?

2. Please discuss your firm’s investment strategy, screening processes, and portfolio construction methodology.
3. How do you decide to buy or sell a security?
4. Are portfolios managed by individual managers or teams?
5. To what extent does this product use leverage and derivatives? Please explain.
6. Do managers follow a “model” portfolio, and if so, to what extent is management permitted to deviate from such a model portfolio?
7. How frequently are investment policy or strategy meetings held?

Product Risk

1. Please describe how your firm controls portfolio investment risk.
2. How does your firm currently measure/track risk for this product (e.g., standard deviation, beta, other)?
3. Do you stress test your portfolios? If so, how do you stress test your portfolios?

Research

Please provide an overview of your research, including the use of fundamental, technical, and quantitative analyses. Please provide any additional comments that are unique to your firm.

Specific Questions for Fixed Income

1. Please fill out the following tables for the proposed fixed income product:

Representative Account Fundamental Characteristics

Annual turnover (by weight)	
Turnover range for this product	
Current weighted average coupon	
Yield to maturity	
Yield to worst	
Current term structure	
Average quality	
Effective duration	
Average maturity	
Average cash position	

Historical range in cash for this product	
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Current Portfolio Distribution

Number of Years	Avg. Maturity (%)	Avg. Duration (%)
< 1		
1-3		
3-5		
5-7		
7-10		
10-20		
> 20		
Total	100%	100%

Portfolio Quality Breakdowns

Investment Type	% of Portfolio
AAA/Aaa	
AA/Aa	
A	
BBB/Baa	
BB/Ba	
B	
CCC/Caa	
CC/Ca	
C	
Distressed debt	
Other	
Total	100%

Domestic Portfolio Sector Allocations

Investment Type	% of Portfolio
Domestic govts/agencies	
Domestic investment-grade corporates	
Domestic high-yield corporates	
Domestic mortgage-backed securities (MBS)	
Mortgage passthru (TBA mkt)	
Commercial mortgage-backed securities (CMBS)	

Asset-backed securities (ABS)	
Private placements/144s	
Municipals	
Convertibles	
Sovereigns and supranationals	
Domestic currency bonds issued by nondomestic banks and corporations	
Emerging market debt	
Other	
Total	100%

- To what extent do you use hedging strategies for this product, including currency and/or any leverage?
- What is the distribution of your portfolios managed in this investment approach according to the following capitalization ranges (in U.S. dollars) (for equities) or issuance sizes (for fixed income) for the last five years?

Range	% of Portfolio by Year				
	2011	2010	2009	2008	2007
\$0 to \$250 million					
\$250 million to \$500 million					
\$500 million to \$1 billion					
\$1 billion to \$5 billion					
\$5 billion to \$10 billion					
\$10 billion +					
	100%	100%	100%	100%	100%

Fees and Account Minimums

- Please list your fee schedule for this product. Please describe fully any performance-based fees, the basis for those fees, and any other fees that may be applicable to the management of this account.
- What is the minimum account size your firm will accept and what are the consequences of falling below this size due to market fluctuation and/or withdrawals?

3. Does the Firm expect a change in the fee schedule during the next five years based on some set formula?
4. Under what circumstances are fees negotiable?
5. What is your billing frequency?
6. Does the firm have a “most favored nations” policy for clients?

XV. PERFORMANCE

Performance

1. If your firm is GIPS® compliant, please attach a GIPS-compliant presentation for this product and skip this table.

If your firm is NOT GIPS compliant, please either attach a chart detailing your firm’s performance for this product for at least the past 10 years (or the life of your firm), including as much detail as possible beyond merely performance data, OR fill out the following table:

Year	Gross of Fees Return (%)	Net of Fees Return (%)	Benchmark Return (%)	Number of Portfolios	Internal Dispersion (%)*	Total Composite Assets	Total Firm Assets
2011							
2010							
2009							
2008							
2007							
2006							
2005							
2004							
2003							
2002							
Total							

*Please either specify the currency used or indicate the date of the foreign exchange rates used to convert into the other currency.

GIPS Compliance

Please respond to Questions 1–2 if your firm is GIPS compliant:

1. How many years has your firm been GIPS compliant?

2. Has your firm been verified? Please specify the name of your verifier and provide a verification letter. Please provide the number of years your firm has been verified.

Please respond to Questions 3–15 if your firm is NOT GIPS compliant:

3. Please name and define the composite for the strategy that is the subject of this RFP.
4. When presenting gross of fees returns, please disclose if any other fees are deducted in addition to trading expenses.
5. When presenting net of fees returns, please disclose **exactly what** other fees are deducted in addition to the investment management fees and trading expenses.
6. If your firm uses a custom benchmark, please describe the benchmark and the process and rationale behind the creation of this benchmark.
7. Please include a measure of dispersion used for each composite, including the reason why that measure of dispersion was chosen.
8. Please disclose your firm's treatment of withholding tax on dividends, interest income, and capital gains.
9. Please disclose and describe any inconsistencies in the exchange rates used among the portfolios within a composite and between the composite and its benchmark, **if applicable**.
10. Please disclose the policy used to allocate cash to carve-out returns, **if applicable**.
11. Please disclose the use of any sub adviser(s) and the periods used.
12. Is there a minimum asset level below which portfolios are not included in a composite? If so, what is that level?
13. Please disclose the currency used to express performance.
14. Is additional information regarding policies for calculating and reporting returns available upon request?
15. Please disclose if your firm does not value portfolios at the end of each month (i.e., either the last day of the month or the last business day of the month). If so, please explain why not.

XVI. Minimum Qualifications Criteria

All proposals will be reviewed to determine whether a Firm meets the minimum qualifications and requirements in each category as specified below. Failure to meet the minimum criteria will result in the rejection of the Firm's proposal. All criteria for meeting the Minimum Qualifications should use data as of [December 31, 2012] unless specified otherwise.

Investment Professionals

1. The Firm must be directly responsible for the management of the Estates' accounts and all personnel responsible for the accounts must be employees of the Firm.
2. The Firm must manage a minimum of \$1 billion dollars using fixed income investment strategies.

XVII. Proposal Evaluation Criteria

The OSD intends to enter into an institutional Investment Management Agreement (“IMA”) with the selected Firm in substantially the form attached hereto as Exhibit A. ***Any material changes to the IMA that your Firm would require must be submitted with your Firm’s initial proposal.*** The OSD intends to select the Firm that, in the OSD’s opinion, best meets the responsiveness and price criteria described below. However, this RFP does not commit the OSD to select or enter into a contract with any Firm, and the OSD reserves the right to reject all proposals. The OSD will use a committee to review and evaluate proposals. We will make all decisions based upon compliance, evaluation, terms and conditions, and shall make decisions solely in the best interests of the OSD and the Estates we administer.

Evaluation of Compliance

The OSD will determine whether the proposals comply with this RFP. Failure to meet the requirements set forth in this RFP, in whole or in part, will affect our evaluation. Any deviation from the material terms of the IMA will affect OSD’s evaluation.

Evaluation of Responsiveness

The OSD intends to use a point ranking system to aid in the evaluation process and reserves the right to use its discretion to eliminate proposals deemed unacceptable. We intend to consider and use information supplied in the proposals and, with respect to a Firm’s family of mutual funds, the average Morningstar rating of those funds.

We will separately determine how well proposals satisfy the RFP objectives in terms of responsiveness, and we will rank proposals, without consideration of price, using a point ranking system. The OSD may contact references during this portion of the evaluation.

The OSD will determine whether any failure to supply information, or the quality of the information provided, will result in the downgrading or rejection of a proposal. Firms whose proposals meet minimum responsiveness requirements will be eligible for further consideration in the next phase – the evaluation of fees.

Evaluation of Fees

The OSD will rank proposed advisory fees on a relative basis. We will calculate fees based upon the Firm’s applicable fee rates, plus any fixed fee proposals and mutual fund fees and expenses.

When a proposal includes a range of fees, we will use the highest fee in that range. The OSD reserves the right to disqualify proposals having fees that appear unrealistic or significantly understated for the services offered.

Evaluation score

Proposals will be evaluated and ranked both exclusive and inclusive of price.

The evaluation score will be an average of the individual scores awarded by the OSD based on the staff's evaluation of a Firm's compliance, responsiveness and fees, each as outlined above. These three categories shall have an equal number of points available, which means that they are equally important. The scores will depend on actual point values established by the OSD's staff in its sole discretion.

Alternative Evaluation

If three or fewer proposals are received, the proposals may be evaluated using simple comparative analysis of the elements of responsiveness and price, instead of the method of evaluation described above in this Section XVII of the RFP.

XVIII. Standard Terms and Conditions

The OSD recognizes that although it is a private not-for-profit corporation organized under the laws of the State of Illinois, its activities are assigned by the Illinois Director of Insurance acting in the capacity of statutory and court-affirmed Receiver of insurance companies. The OSD further recognizes that its representation of the Director of Insurance, as Receiver, arises from the powers of attorney given by the Director to the Special Deputy who also fills the positions of President and Chief Executive Officer of the OSD. Accordingly, it is the policy of the OSD not to contract with any person or entity that is in violation of the laws of the State of Illinois or is barred from contracting with the Illinois Department of Insurance, under Illinois Public Act 095-0971, or otherwise. OSD Requests for Proposal and resulting contracts (including the IMA) require purchaser compliance with state law.

All proposals must state that they remain firm for 60 days from opening.

This RFP does not commit the OSD to select a Firm or enter into a contract with any party. The OSD reserves the right to rescind or revoke this RFP prior to the execution of a final IMA by the OSD. The OSD may in its sole discretion: reject a proposal if it is non-responsive or non-compliant with the requirements set forth in this RFP; or waive minor discrepancies in any proposal. All materials submitted in response to this RFP shall become the property of the OSD and will not be returned.

The OSD reserves the right to reject all proposals; to reject individual proposals for failure to meet any requirement; to award by item, part or portion of an item, group of items, or total; and to waive minor defects. We may seek clarification of the proposal from you at any time, and failure to respond is cause for rejection. Clarification is not an opportunity to materially change the proposal. Submission of a proposal confers on you no right to an award or to a subsequent contract.

The RFP process is for the OSD's benefit only and is to provide the OSD with competitive information to assist in the selection process. All decisions on compliance, evaluation, terms and conditions will be made solely at our discretion and made to favor the OSD.

You may submit your proposal by mail, courier service, or hand-deliver. We do not allow computer, fax, or other electronic submissions. We must actually receive proposals as specified. It will not be sufficient to show that you mailed or commenced delivery before the due date and time. All times are State of Illinois local times.

The content of a proposal submitted by a Firm is subject to verification. Misleading or inaccurate responses will result in disqualification.

Proposals become the property of the OSD and these and late submissions will not be returned. Your proposal will not be confidential, unless you request in your proposal that we treat certain information as proprietary. We will not honor requests to treat entire proposals as confidential or proprietary. You must show the specific legal grounds that support an assertion that specified material in your RFP is proprietary. Regardless, we will disclose the successful firm's name and the fees, and in presenting a petition for approval of the award by the Circuit Court of Cook County, Illinois, the OSD and the Director, as Receiver, reserve the right to disclose the names of all firms that submitted a proposal, and copies of all such proposals. If you request confidential treatment, you must submit an additional copy of your proposal with proprietary information deleted. This copy must tell the general nature of the material removed and shall retain as much of the proposal as possible. You agree the OSD may copy the proposal to facilitate evaluation and any necessary court approval. You warrant that such copying will not violate the rights of any third party.

The OSD reserves the right to request best and final offers from final qualifying Firms. However, Firms should not expect that the OSD will ask for best and final offers and must, therefore, submit their best offer.

Firms must be prepared for the OSD to accept the proposal as submitted, but IMA contract negotiations may be necessary or desirable, at the OSD's sole option. If negotiations do not result in an acceptable IMA, the OSD may reject the proposal or revoke the award and may begin negotiations with another Firm. Final terms of the IMA must be approved or signed by the appropriately authorized OSD official(s) and approved by the Circuit Court of Cook County, as required by statute.

We will post a notice to the OSD Web site, www.osdchi.com, identifying the selected Firm (the "Awardee"). The notice extends the proposal firm time until we sign an IMA, including the obtaining of any required court approval(s), or determine not to sign a contract.

If you are the Awardee, you shall not commence, and will not be paid for any services rendered prior to the date all parties execute the IMA, unless approved in writing in advance by the OSD's Chief Executive Officer and either the purchasing party or Procurement Officer.

This RFP and the resulting IMA are to be governed by the laws of the State of Illinois. Changes in applicable laws and rules may affect the award process or the resulting IMA. Firms are

responsible for ascertaining pertinent legal requirements and restrictions. Any and all litigation or actions commenced in connection with this RFP will be brought in the Circuit Court of Cook County, in Illinois. We do not allow binding arbitration.

All fees paid under the IMA negotiated with the Awardee are subject to review pursuant to the provisions of Section 202 of the Illinois Insurance Code, 215 ILCS 5/202. In the event that any fees paid to your Firm for services are subsequently disallowed by one or more of the courts supervising the Estates administered by the OSD, your firm agrees to promptly reimburse the Estate(s) from which those fees were paid.

Exhibit A

INVESTMENT MANAGEMENT AGREEMENT

THIS AGREEMENT (“Agreement”), made and entered into as of the ____ day of _____ 20____, by and between the **OFFICE OF THE SPECIAL DEPUTY RECEIVER**, 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654, hereinafter referred to as “CLIENT,” and _____, hereinafter referred to as “INVESTMENT MANAGER.”

WITNESSETH:

WHEREAS, pursuant to the Illinois Insurance Code (the “Code”), the Director of Insurance of the State of Illinois (the “Director”) is appointed as conservator, rehabilitator or liquidator of domestic insurance companies that have been determined by state courts to be insolvent or to meet provisions or grounds for conservation, rehabilitation or liquidation, as specified in the Code; and

WHEREAS, the Director is empowered by the Code to appoint a Special Deputy as agent to supervise the conservation, rehabilitation or liquidation of insurance companies; and

WHEREAS, CLIENT supports the Special Deputy appointed by the Director in the management of the affairs of insurance companies placed in conservation, rehabilitation or liquidation (collectively, the “Estates”); and

WHEREAS, CLIENT, acting in a fiduciary capacity, controls the investment of the Estates’ assets; and

WHEREAS, INVESTMENT MANAGER desires to serve CLIENT in managing the Estates’ assets designated by CLIENT, in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree as follows:

1. APPOINTMENT OF INVESTMENT MANAGER. CLIENT hereby appoints INVESTMENT MANAGER as the investment manager of the Estates set forth on Schedule 1 (collectively, the “Portfolio”), which Schedule may be amended and revised from time to time with [30] days advance written notice to INVESTMENT MANAGER, and INVESTMENT MANAGER agrees to act as such with respect to the Portfolio in accordance with the terms and conditions of this Agreement.

2. REPRESENTATIONS.

A. The CLIENT hereby represents and warrants that:

- i. Existence and Power. CLIENT has all requisite powers, authorizations, consents and approvals required to enter into this Agreement and perform its obligations set forth in the Agreement.

- ii. Authorization. The execution, delivery and performance by CLIENT of this Agreement have been duly authorized by all necessary action.
- iii. Binding Effect. This Agreement has been duly executed and delivered by CLIENT and constitutes the legal, valid and binding obligations of CLIENT enforceable against CLIENT in accordance with its respective terms.

B. INVESTMENT MANAGER hereby represents and warrants that:

- i. Corporate Existence and Power. INVESTMENT MANAGER (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (b) has all requisite powers and all governmental and regulatory licenses, authorizations, consents and approvals required to enter into this Agreement and perform its obligations set forth in this Agreement.
- ii. Authorization. The execution, delivery and performance by INVESTMENT MANAGER of this Agreement have been duly authorized by all necessary action.
- iii. Binding Effect. This Agreement has been duly executed and delivered by INVESTMENT MANAGER and constitutes the legal, valid and binding obligations of INVESTMENT MANAGER enforceable against INVESTMENT MANAGER in accordance with its terms.
- iv. Registration. INVESTMENT MANAGER is registered with the Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and has made a notice filing with the Illinois Secretary of State, Securities Department, under the Illinois Securities Law of 1953 or the regulations adopted thereunder, or is exempted or excepted by definition.
- v. History of Claims. Neither INVESTMENT MANAGER nor any of its employees or investment professionals has been the subject of any action, proceeding or investigation that claims or alleges a breach of fiduciary duty, fraud, misrepresentations, or a violation of any federal, state or other applicable securities law, rule or regulation.
- vi. Lack of Other Fees. The only fees payable to INVESTMENT MANAGER with respect to the Portfolio are those contemplated or specified by this Agreement.
- vii. Code of Ethics. Throughout the term of the Agreement, INVESTMENT MANAGER will maintain a code of ethics with respect to its employees and will not revise any current code of

ethics in a manner that is materially less protective of the interests of CLIENT than the current code of ethics.

- viii. Compliance with Illinois Law. INVESTMENT MANAGER is not barred from contracting with the Illinois Department of Insurance, under Illinois Public Act 095-0971, or otherwise.
- ix. Investment Allocation Procedures. INVESTMENT MANAGER has established, and will maintain and enforce, fair and reasonable procedures to allocate investment opportunities among CLIENT and other advisory clients.

3. THE PORTFOLIO. CLIENT shall designate the Portfolio to be managed by INVESTMENT MANAGER and shall notify CLIENT's custodian bank ("Custodian") as to the appointment of INVESTMENT MANAGER as investment manager of the Portfolio. Additional assets may be allocated to, or assets may be withdrawn from the Portfolio from time to time in the sole and absolute discretion of CLIENT.

4. DUTIES AND POWERS OF INVESTMENT MANAGER.

A. INVESTMENT MANAGER shall have sole and absolute discretion with respect to investment of the assets in the Portfolio and shall direct purchases and sales of securities or other property for the Portfolio without prior consultation. INVESTMENT MANAGER shall make its investment decisions consistent with the investment guidelines attached hereto as Schedule 2, and incorporated herein by reference for the management of the Portfolio, or such written investment guidelines as shall from time to time be provided by CLIENT in CLIENT's sole and absolute discretion. It is understood that INVESTMENT MANAGER may perform similar services for other clients, subject to conflict of interest provisions herein, and that investment action taken for each client may differ.

B. In exercising its discretion hereunder, INVESTMENT MANAGER shall use its professional skill, diligence and judgment and is subject to the duties set forth in the Advisers Act or other applicable law. Where INVESTMENT MANAGER is subject to conflicting statutory duties, the highest fiduciary duty shall apply.

C. INVESTMENT MANAGER shall use its best efforts to increase the value of the Portfolio. Nothing herein shall be deemed to waive or limit CLIENT's rights under, or INVESTMENT MANAGER's obligation to comply with, any provision of the federal securities laws or any rules or regulations adopted thereunder, or of any state laws.

D. INVESTMENT MANAGER under the terms of this Agreement shall under no circumstances act as custodian for the Portfolio or have custody or possession of any assets of the Portfolio.

E. INVESTMENT MANAGER shall provide the Custodian with such documents and information, including certification of INVESTMENT

MANAGER's duly authorized representatives, as CLIENT or the Custodian may reasonably request. All directions given by INVESTMENT MANAGER to CLIENT or the Custodian shall be given via electronic transmission or in writing, signed by an authorized representative of INVESTMENT MANAGER; provided, however, that CLIENT or the Custodian may accept oral directions from INVESTMENT MANAGER and INVESTMENT MANAGER shall promptly confirm such instructions in writing.

F. Subject to the terms of this Agreement including the Investment Guidelines set forth in Schedule 2, and except as otherwise specified by notice from CLIENT to INVESTMENT MANAGER, INVESTMENT MANAGER may place orders for the execution of transactions hereunder with or through any broker, dealer, futures commission merchant, bank or any other agent or counterparty that INVESTMENT MANAGER may select in its own discretion and without notice to CLIENT.

5. REPORTS.

A. INVESTMENT MANAGER shall furnish in a timely manner, a monthly appraisal of the Portfolio valued as of the last business day of the month, together with performance tabulations, a summary of purchases and sales and such other reports as shall be requested by CLIENT in its sole and absolute discretion.

B. INVESTMENT MANAGER shall keep accurate and detailed records of all receipts, investments, sales, disbursements and other transactions carried out by INVESTMENT MANAGER for or with CLIENT. During and after the term of this Agreement, INVESTMENT MANAGER shall permit its books and records with respect to the Portfolio to be inspected by CLIENT or its agents and audited by independent public accountants selected by CLIENT.

C. INVESTMENT MANAGER shall furnish CLIENT such other reports regarding the Portfolio as CLIENT may reasonably request.

6. DIVERSIFICATION. Consistent with the Operational Guidelines as set forth in Schedule 2 of this Agreement, INVESTMENT MANAGER shall diversify the assets of the Portfolio.

7. BAN ON PAY TO PLAY. CLIENT hereby advises INVESTMENT MANAGER that CLIENT has taken the position that it is inappropriate and unethical for any outside service provider to make any political contribution to any incumbent or candidate for Illinois state office with the intent of influencing a purchasing, hiring or retention decision made on behalf of CLIENT. A violation of this policy may lead to termination of this Agreement.

8. TERMINATION. This Agreement shall continue in effect until terminated by either party by giving to the other party notice in writing. The CLIENT shall give **at least 30 days** notice to INVESTMENT MANAGER prior to the date it terminates this

Agreement and INVESTMENT MANAGER shall give CLIENT **at least 90 days** notice prior to the date it terminates this Agreement. INVESTMENT MANAGER shall cooperate with CLIENT and follow CLIENT's direction in connection with the termination of this Agreement and the orderly transfer of Portfolio to successor investment manager(s) as directed by CLIENT.

9. COMPENSATION AND EXPENSES.

A. The CLIENT shall compensate from the Portfolio INVESTMENT MANAGER for all services rendered hereunder in accordance with the provisions in Schedule 3.

B. The fees specified in Schedule 3 are billed quarterly in arrears, based on the market value, as such market value is determined by the Custodian of the Portfolio at the end of the quarter, and shall be billed to CLIENT by invoice, payable upon receipt.

C. It is understood that INVESTMENT MANAGER shall be responsible and liable for all expenses incurred by it in performing its obligations hereunder and CLIENT shall have no obligation to reimburse INVESTMENT MANAGER therefore.

D. INVESTMENT MANAGER acknowledges that all fees or compensation paid under this Agreement are subject to review pursuant to the provisions of Section 202 of the Code. In the event that any fees paid to INVESTMENT MANAGER are subsequently disallowed by one or more of the courts supervising the Estates administered by CLIENT, INVESTMENT MANAGER agrees to promptly reimburse the Portfolio.

10. DELIVERY OF SECURITIES. INVESTMENT MANAGER shall direct that all securities purchased for the Portfolio be registered in the name of the Client, and be delivered to the Custodian or its nominee, except as otherwise directed by CLIENT.

11. PROHIBITION AGAINST SOLICITATION FEES. INVESTMENT MANAGER warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for INVESTMENT MANAGER, to solicit or secure this Agreement and that it has not paid or agreed to pay any person, company, corporation, individual, or firm other than a bona fide employee working solely for INVESTMENT MANAGER, any fee, commission, percentage, gift, or other consideration contingent upon or resulting from the award or making of this Agreement.

12. INDEMNIFICATION.

A. INVESTMENT MANAGER agrees to indemnify CLIENT and hold CLIENT harmless from any liabilities, claims, demands, costs or expenses which CLIENT may incur in connection with this Agreement, or the transactions hereunder, arising from INVESTMENT MANAGER's breach of its obligations under this Agreement, negligence, misconduct, bad faith or fraud, together with attorneys' fees, costs and expenses incurred by CLIENT as a result thereof.

B. Upon receipt by CLIENT of notice of any claim with respect to which it may be entitled to indemnification under this section, CLIENT shall promptly notify INVESTMENT MANAGER in writing thereof, enclosing a copy of all papers, if any, served; provided, however, CLIENT's failure or delay in so notifying INVESTMENT MANAGER shall not affect INVESTMENT MANAGER's liability hereunder.

C. INVESTMENT MANAGER shall be entitled to participate in or assume the defense of any claim against CLIENT indemnified by INVESTMENT MANAGER under this section, with legal counsel reasonably satisfactory to CLIENT. After written notice from INVESTMENT MANAGER to CLIENT of INVESTMENT MANAGER's election to assume such defense, INVESTMENT MANAGER shall not be liable to CLIENT for any attorneys' fees or other expenses of litigation incurred by CLIENT for any attorneys' fees or other expenses of litigation subsequently incurred by CLIENT in connection with such defense unless and to the extent (i) such expenses were incurred with the written consent of INVESTMENT MANAGER; or (ii) CLIENT has obtained a written opinion of counsel that there exists a conflict of interest between INVESTMENT MANAGER and CLIENT with respect to the defense of such claim or that there are one or more defenses available to CLIENT that are unavailable to INVESTMENT MANAGER (in either of which cases INVESTMENT MANAGER shall not have the right to direct the defense of such claim on behalf of CLIENT).

D. No party shall settle any claim without the prior written consent of the other party, which consent shall not be unreasonably withheld. If CLIENT does not agree with the decision of INVESTMENT MANAGER to settle, terminate, compromise, appeal or otherwise dispose of such litigation, CLIENT, for its own account and at its own expense, may elect to pursue the litigation in a different manner upon written notice to INVESTMENT MANAGER; provided, however, CLIENT shall continue to be entitled to be reimbursed under this section by INVESTMENT MANAGER up to the amount which INVESTMENT MANAGER is willing to pay pursuant to any proposed settlement, compromise, award or other disposition and any costs incurred by INVESTMENT MANAGER under this section for the account of CLIENT or by CLIENT up to such point in the proceedings.

13. ASSIGNMENT. INVESTMENT MANAGER may not assign its rights or obligations under this Agreement without the prior written consent of CLIENT. This

Agreement automatically shall terminate in the event of its assignment, as defined in the Advisers Act, by INVESTMENT MANAGER.

14. COMMUNICATIONS FROM CLIENT. The CLIENT shall furnish INVESTMENT MANAGER with a certificate, signed by a duly authorized officer or officers of CLIENT, designating the officers or employees of CLIENT (“Authorized Persons”) having authority to act in all respects for and on behalf of CLIENT in connection with this Agreement. The CLIENT agrees that, until INVESTMENT MANAGER is otherwise advised in writing by a duly authorized officer or officers of CLIENT, INVESTMENT MANAGER shall be authorized and entitled to rely upon any notice, instruction, request, order or other communication, given either in writing or orally, and reasonably believed by INVESTMENT MANAGER in good faith to be given by any Authorized Person or by any other person whom INVESTMENT MANAGER reasonably believes in good faith to be acting on behalf of CLIENT. For a list of all authorized personnel please refer to Schedule 4 of this Agreement.

15. CONFLICTS OF INTEREST. INVESTMENT MANAGER shall fully disclose its direct or indirect financial interests in any entity with which it deals on behalf of CLIENT (which shall not be construed to include portfolio holdings of INVESTMENT MANAGER’s other clients). If CLIENT, in its sole and absolute discretion, determines that such transactions conflict with or potentially conflict with its interests, CLIENT may require INVESTMENT MANAGER to cease its dealings with such entity on behalf of CLIENT. INVESTMENT MANAGER shall also disclose any other fact or relationship which would compromise or materially affect its ability to faithfully perform its duties hereunder.

16. DISCLOSURE. INVESTMENT MANAGER shall immediately disclose to CLIENT:

- A. any event affecting INVESTMENT MANAGER, its affiliates or the Portfolio that reasonably would be expected to have a material adverse effect on the Portfolio or on the ability of INVESTMENT MANAGER to perform its obligations under this Agreement;
- B. if any of the representations in Section 2B shall cease to be true;
- C. the acquisition by any person or group, as defined in the Securities Exchange Act of 1934, as amended, in one transaction or series of related transactions, of the 10% or more of the outstanding voting securities of INVESTMENT MANAGER or its parent company; or
- D. any change in the financial condition of INVESTMENT MANAGER or its affiliates that reasonably would be expected to impair INVESTMENT MANAGER’s ability to meet its contractual commitments to CLIENT;
- E. with respect to the provision of INVESTMENT MANAGER’s services, pursuant to this Agreement or otherwise:

- i. any investigation by federal or state agencies or self-regulatory organizations of INVESTMENT MANAGER other than a routine examination;
- ii. any complaint against INVESTMENT MANAGER filed with a federal or state agency or self-regulatory organization;
- iii. any proceeding naming INVESTMENT MANAGER before any federal or state agency or self-regulatory organization;
- iv. any fine, penalty, censure or other disciplinary action taken against INVESTMENT MANAGER; or
- v. any internal investigation undertaken by INVESTMENT MANAGER regarding potential fraud or mismanagement of the Portfolio.

F. Notwithstanding the provision of this Agreement regarding its termination, CLIENT may, in its sole and absolute discretion, terminate this Agreement immediately upon notice to INVESTMENT MANAGER on the occurrence of any event listed in this section, whether disclosed by INVESTMENT MANAGER or not.

17. CONFIDENTIALITY. INVESTMENT MANAGER shall keep confidential all information, records and reports furnished to it by CLIENT hereunder or which INVESTMENT MANAGER generates or produces under this Agreement.

18. GENERAL.

A. Illinois Law. The Agreement shall be performed in accordance with all applicable federal, state and local laws and administrative regulations and shall be governed and interpreted under the Advisers Act and the laws of the State of Illinois, without regards to the conflicts of law provisions therein.

B. Venue and Jurisdiction. The parties hereby agree that any action regarding the terms or performance or breach of this Agreement shall be brought in the United States District Court for the Northern District of Illinois; provided that, if jurisdiction is not proper in such federal court, the parties agree that all actions shall be brought in the Circuit Court of Cook County in the State of Illinois. INVESTMENT MANAGER shall take whatever actions are necessary to effectuate CLIENT's election, including, but not limited to, dismissing and refile any action in the appropriate court, or waiving any objection to a removal petition.

C. Additional Information. The CLIENT agrees to furnish INVESTMENT MANAGER with all documents, authorizations and powers as might be reasonably required by INVESTMENT MANAGER to carry out its obligations according to the terms of this Agreement.

D. Form ADV. INVESTMENT MANAGER shall on an annual basis provide CLIENT with copies of SEC Form ADV, and any amendments thereto not

previously furnished to CLIENT. The CLIENT acknowledges receipt of INVESTMENT MANAGER's current Form ADV.

E. Insurance. INVESTMENT MANAGER shall for the term of this Agreement maintain an errors and omissions insurance policy with a minimum coverage limit of \$1,000,000 and a fidelity bond with a minimum coverage limit of \$10,000,000. INVESTMENT MANAGER shall furnish CLIENT with proof of its errors and omissions insurance as well as a fidelity bond upon request.

F. Whole Agreement. This Agreement constitutes the entire understanding of CLIENT and INVESTMENT MANAGER and may be amended only by written instrument executed by both parties.

G. Place of Contract. This Agreement shall be deemed to be entered into in the State of Illinois; and all performance hereunder shall be made in the State of Illinois.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

CLIENT

By: _____

Name:

Title:

INVESTMENT MANAGER

By: _____

Name:

Title:

SCHEDULE 1

ESTATES

[Insert List of Estates]

SCHEDULE 2

INVESTMENT GUIDELINES

[Insert Investment Guidelines]

SCHEDULE 3

FEE SCHEDULE

[Insert Fee Schedule]

SCHEDULE 4

Authorized Personnel

The following are names, titles and signatures of the persons authorized to act in all respects for and on behalf of the Office of the Special Deputy Receiver (the "OSDR") in connection with the OSDR's Investment Management Agreement with INVESTMENT MANAGER. This list is in effect until INVESTMENT MANAGER is advised otherwise in writing by CLIENT.

Name & Title of Signer

Signature of Signer

[Name #1]

[Name #2]

OFFICE OF THE SPECIAL DEPUTY RECEIVER

By: _____

Name:

Title:

Date: