



# Request for Proposals for Pension Investment Consulting Services For the Port of Houston Authority Pension Plan (RFP-1842)

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UBS Institutional Consulting founded in 1984

RFP prepared on December 31, 2009

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# PORT OF HOUSTON AUTHORITY

EXECUTIVE OFFICES: 111 EAST LOOP-NORTH • HOUSTON, TEXAS 77029-4326  
MAILING ADDRESS: P.O. BOX 2562 • HOUSTON, TEXAS 77252-2562  
TELEPHONE: (713) 670-2460 • FAX: (713) 670-2465



CURTIS R. ROSE  
Purchasing Manager

## REQUEST FOR PROPOSALS FOR PENSION INVESTMENT CONSULTING SERVICES FOR THE PORT OF HOUSTON AUTHORITY PENSION PLAN

Sealed Proposals for the **PENSION INVESTMENT CONSULTING SERVICES FOR THE PORT OF HOUSTON AUTHORITY PENSION PLAN** will be received by the Purchasing Manager of the Port of Houston Authority.

Regardless of method of delivery, all proposals must be received in the Purchasing Manager's office prior to **11:00 A.M.**, on the date specified in the General Instructions. The Port of Houston Authority **will not be responsible** for the late or incomplete responses due to mistakes or delays of the respondent or carrier used by the respondent or weather delays. A postmark is not sufficient.

**Respondent must:**

- 1) Place its name and address in the **UPPER LEFT HAND** corner of the sealed envelope in which the proposal is submitted; and
- 2) Place the exact Project Title on the **LOWER LEFT HAND** corner of the sealed envelope in which the proposal is submitted.

Responses should be delivered to:

Port of Houston Authority Executive Office Building,  
**ATTN: BID RECEIPT DEPARTMENT**  
111 EAST LOOP NORTH (EXIT 29)  
HOUSTON, TEXAS 77029

Responses sent by mail should be addressed to:

Port of Houston Authority Executive Office Building,  
**ATTN: BID RECEIPT DEPARTMENT**  
P O BOX 2562  
HOUSTON, TEXAS 77252-2562

Each respondent is urged to comply fully with this instruction so that proper identification of submittals will be assured.

The Port Authority reserves the right to reject any or all proposals. In case of ambiguity or lack of clearness in any proposal, the Port Authority reserves the right to consider the most advantageous construction of, or to reject, the proposal.

Dated this 27<sup>th</sup> day of March, 2009

*Curtis R. Rose*  
Curtis R. Rose, C.P.M., A.P.P. *brycb*  
Purchasing Manager

CRR: cb

**Pension Investment Consulting Services for the  
Port of Houston Authority Pension Plan**

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Exhibit A – Form of Port of Houston Authority Contract

Exhibit B – Pension Investment Objectives & Guidelines

**I. General Contractual Arrangements**

1. This Request for Proposal and the selected firm's proposal will by reference become a part of any formal agreement between the proposing firm and the Port of Houston Authority (the "Port Authority") resulting from this solicitation. Such agreement is expected to run for a two year term, and otherwise be entered into under the terms and conditions set forth in Exhibit A.
2. Selected proposal must furnish a "Certificate of Registration" to conduct business in the State of Texas prior to award of the contract. Such registration is obtained from the Secretary of State, who will also provide the certification thereof. However, proposers need not be registered as prerequisite for responding to this RFP.
3. Personnel essential to continuity of quality service must be available throughout the duration of the agreement. Prior approval of the Port Authority must be obtained in case of substitutions.
4. The proposer agrees to obtain consent from the Port Authority prior to issuance of any press releases, articles, or publications concerning services rendered.

**II. Background and Introduction**

The Port Authority, a governmental employer within the meaning of ERISA, has approximately \$93.2 million dollars invested, as of July 31, 2009, to fund a defined benefit pension plan (the “Plan”). Current fund guidelines provide for 50% of the Plan’s assets to be invested in Stocks and 50% to be invested in Bonds and Cash Equivalents. A variance of +/- 5% is allowed for market fluctuations. The Port Authority’s latest Pension Investment Objectives & Guidelines are set forth in Exhibit B.

As of July 31, 2009, the investments were split as follows:

- Large capitalization growth market value approximately \$12.8 million, managed by Fiduciary Management.
- Equities approximately \$9.4 million, managed by Trevor, Stewart, Burton.
- International equities market value of approximately \$12.8 million, managed by Eagle Global.
- Small capitalization growth market value approximately \$5.1 million, managed by Stacy Braun.
- Small capital growth market value approximately \$7.8 million, managed by Barrow, Hanley, McWinney & Strauss.
- Fixed income market value approximately \$44.6 million, managed by Smith Graham, Smith Affiliated, & Trevor Stewart.

As of July 31, 2008, the last Plan year for which there is a completed Actuarial Valuation Report, there were 541 active participants, 180 terminated vested participants, and 398 retirees and beneficiaries of former participants in the Plan.

The Plan is funded annually by contributions from the Port Authority based on recommendations from its actuary, Milliman Inc. BBVA Compass Bank – River Oaks is the trustee for the Plan.

### **III. Scope of Work**

The general scope of work includes the following:

- Recommendations for asset allocations, updated on at least a quarterly basis, supported by the firm's current outlook for the various markets;
- Review of and ongoing advice and counsel regarding the Plan's Investment Guidelines and Objectives;
- Recommendations on acquiring the services of investment managers, monitoring the performance of currently engaged investment managers, providing ongoing counsel to the Pension Committee on the performance of currently engaged investment managers, evaluation of the value added by the currently engaged investment managers, and, if requested, assistance in engaging new investment managers or replacing currently engaged investment managers;
- Work with the Pension Plan's Trustee and, if requested, assist in securing a new Plan Trustee;
- Provide educational assistance to the Pension Committee on institutional investing and relevant pension issues;
- Prepare written reports on the performance of the Plan's assets, including comparisons against established benchmarks and compliance by investment managers with the Plan's Investment Guidelines and Objectives; and
- Conduct quarterly Pension Committee meetings and prepare minutes from those meetings.

**IV. Instructions**

1. **Deadline.** The deadline for submission of responses to this Request for Proposals (RFP) is: **11:00 AM, DECEMBER 10, 2009.** No responses will be accepted after the referenced time.

Proposer must submit **one signed original** Request for Proposal ("RFP") and **two (2) complete copies** in a sealed envelope to the Port of Houston Authority Executive Office Building:

If mailed:

Port of Houston Authority  
Attn: Bid Receipt Department  
P.O. Box 2562  
Houston, Texas 77252-2562

If hand delivered:

Port of Houston Authority  
Executive Office Building  
Attn: Bid Receipt Department  
111 East Loop North  
Houston, Texas 77029.

2. The Post Office Box address is not the physical location of the Port of Houston Purchasing Department. All statements will be dated and the time received recorded upon receipt by the Purchasing Department. The Port Authority will not be responsible for late or incomplete responses due to mistakes or delays of the respondent or carrier used by the proposer or weather delays. A postmark is not sufficient to indicate time of receipt. It is the proposer's responsibility to take into account any potential delays, including without limitation, traffic delays as well as delays that may be encountered at or in the vicinity of the Port Authority's gates due to vehicle lines, presentation of identification credentials, vehicle searches, the possibility of equipment failures and vehicle accidents and other events related to access to the Port Authority's Turning Basin Terminal and Executive Office Building.
3. The proposal shall not be written by hand, but shall be signed in ink by person(s) authorized to legally bind the proposer. Please include a copy of this Request for Proposal document in each of the proposals that you submit. Make copies for your work use.
4. Unnecessarily elaborate brochures or other presentations beyond those sufficient to present a complete and effective proposal are not desired.
5. No modifications or addenda will be accepted after the referenced submittal date unless requested by addenda from the Port Authority.

6. The Port Authority will maintain a list of all persons receiving a copy of this document from the Purchasing Department and will notify all such persons of any addendum to this Request for Proposal.
7. Proposals which do not include a signed copy of any addenda issued by the Port Authority may not be considered.
8. Proposers shall not, under penalty of law, offer any gratuities, favors or anything of monetary value to either the Port Authority, any Port Commissioner, or any officer, employee or family member of those mentioned above. Should any of the above enumerated persons have a direct or indirect monetary interest in the proposer or any affiliate, such interest and the extent thereof must be divulged in writing to the Port Authority with any Proposal submitted.
9. This request does not commit the Port Authority to pay for costs incurred in submission of a proposal or any costs incurred prior to the execution of a formal contract, unless such costs are specifically authorized in writing by the Port Authority.
10. The Port Authority has the sole discretion and reserves the right to accept or reject any or all Proposals to best serve the interests of the Port Authority.
11. The Port Authority reserves the right to waive any formalities to best serve the interests of the Port Authority. Failure to furnish all information requested may result in the disqualification of a proposal.
12. The Port Authority reserves the right to request clarification of proposal data without changing the terms of the proposal.
13. Contract discussions and negotiation will follow selection of the preferred proposer. The Port Authority reserves the right to negotiate further with one or more proposers.
14. All contracts are subject to the laws of the State of Texas.

**V. Proposer's Response Outline and Content**

In order to simplify the review process and to obtain the maximum degree of comparability, proposals MUST be organized in the manner stated below and contain, at minimum, the information requested. Proposers are encouraged to include any additional information considered relevant.

**A. Title Page**

Show the RFP subject, the name of the proposer's firm, address, telephone number, fax number, name of contact person, date firm was founded, and the date the proposal was prepared.

**B. Table of Contents**

Include a clear identification of the material by section and page number.

**C. Letter of Transmittal**

1. Limit to one or two pages.

2. Briefly state the proposer's understanding of the work to be done.

3. State the names of the persons who will be authorized to make representations for the proposer, their titles, addresses, and telephone numbers.

**D. Responses to the Detailed Questionnaire; Other Materials**

In addition to completing the following questionnaire, the proposer may attach other brochures and presentations considered relevant. Please include only a minimum of concise materials.

**VI. Detailed Questionnaire**

All questions should be answered in the order listed. Use a separate form for your response.

Please provide information about the following:

A. Your firm

1. Provide a copy of your ADV as filed with the SEC.
2. Describe all past, present, and pending censures by the SEC.
3. Describe any past, present, and pending criminal, civil or administrative litigation against your firm.
4. Describe the ownership structure of your firm. If employees have an ownership interest in the firm, please specifically identify who holds that interest.
5. If any changes in firm ownership are being contemplated, please provide details on the contemplated changes.
6. How long has your firm been in business?
7. Provide the most recent audited financial statement for the firm, including a balance sheet and income statement.
8. Provide a description of the types and amounts of insurance coverages.
9. Provide an organization chart for your firm. Show the total number of employees in each section of the organization chart.
10. Provide a copy of your firm's equal employment policy, HUB, Small Business or similar policies and goals.
11. Describe the types of compensation available to your professional staff, especially any type(s) that would apply to the team covering this account.
12. What is the total number of clients being served by your organization?
13. Have you placed a limit on the number of clients your organization will serve? If yes, please provide that limit.
14. What is the largest number of clients handled by one team?

15. How many government accounts does your firm service? How many accounts with Texas governmental agencies does your firm service? Are there differences between governmental pension plans and private sector pension plans which you believe are relevant to asset allocation or investment management?
16. Describe any relationships with the Port Authority's employees, Commissioners, trustees or others that may be construed as a conflict of interest as defined by ERISA (as if ERISA were applicable to the Plan), Chapter 802 of the Texas Government Code, or the provisions of Texas law concerning public officials pursuant to Chapter 171 of the Texas Local Government Code.
17. Provide information explaining your procedures for maintaining independence in the advice that you, as pension investment consultant, provide, in light of the fact that many pension consulting firms provide services both to pension plans who are their advisory clients and to money managers, which duality may create a conflict of interest potentially clouding objectivity.
18. Describe your business relationships (and those of your affiliates), including but not limited to receipt of fees, from money managers that you would recommend to Port Authority.
19. Describe the extent to which you will disclose conflicts and potential conflicts of interest to Port Authority. Of particular interest are your business relationships with money management firms that you would consider recommending to Port Authority.
20. Describe the extent to which you will, and the method you will use to, disclose conflicts and potential conflicts of interest which you know or discover between yourself (and your affiliates) and the pension plan trustees, including any economic benefits provided directly or indirectly from plan service providers.
21. Explain in detail your understanding of the fiduciary relationship, if you are awarded the contract, between yourself as pension consultant and the Port Authority as your client.
22. Describe the policies and procedures maintained by your company that concern how you prevent and manage conflicts of interest in your pension consulting activities.
23. Describe the policies and procedures maintained by your company that govern disclosure of conflicts to existing and prospective advisory

clients.

24. Describe the policies and procedures maintained by your company to prevent conflicts of interest or disclose material conflicts of interest with respect to the use of brokerage commissions, gifts, gratuities, entertainment, contributions, donations and the like provided to clients or received from money managers.

**B. Your Services**

1. Do you perform asset allocation studies? If yes, describe your method for developing an asset allocation, and provide references, including contact information, for at least two organizations for which you have provided such service. The references should be from organizations that have total assets of a magnitude similar to the Port Authority pension fund.
2. Do you provide recommendations for investment managers? If yes, provide the method by which you determine which managers are to be recommended.
3. Describe your due diligence process when conducting an investment manager search.
4. Do you perform asset/liability studies? If yes, describe your asset-liability model in detail and indicate if the model is proprietary or purchased. State how often you recommend performing an asset/liability study. Provide references, including contact information, for at least two organizations for which you have performed an asset/liability study. The references should be from organizations that have total assets of a magnitude similar to the Port Authority pension fund.
5. Do you provide educational services? If yes, describe the services you provide and how you provide those services.
6. Describe your approach to allocating assets among investment styles.
7. What investment styles are tracked in your performance measurement system? Our current allocation is 50% bonds, 50% equity. Are there other classes of investments which should be strongly considered?
8. Within the broad classes of bonds or equity, should there be targeted allocations to subgroups? If so, please elaborate.
9. Please describe your view as to the appropriateness of "alternative investments" in a fund of our size.

10. Describe your recommended policies regarding bonds whose ratings have been downgraded, when and under what circumstances such bonds should be sold.
11. Describe how you verify compliance with investment styles.
12. Describe how benchmarks are developed and how performance is compared to relevant items. Describe what you consider relevant comparisons.
13. What information systems do you use to produce your reports? How frequently are reports produced?
14. Do you solicit or accept fees for placing investment managers or for including investment managers in your universe for placement? If so, describe the circumstances and process.
15. Describe how you detect early problems with investment managers. Provide examples of the tools used and the recommendations given. Remove all names from the examples to protect confidentiality.
16. Describe how you deal with problems with investment managers.
17. Do you facilitate the transfer of assets between investment managers? If yes, describe the process.
18. Provide specific examples of how you have added value for your clients.
19. Provide a list of all new accounts for professional evaluation and consulting services to qualified plan sponsors in the last five (5) years. Structure the list by year. Show type of client, e.g., by industry, public sector/private for-profit/private not-for-profit type of plan, size of plan, and date your services were required.
20. Provide a list of all accounts lost in the last five (5) years. Structure the list by year. Show type of client, e.g., by industry, public sector/private for-profit/private-not for profit, type of plan, size of plan, date the client was lost, and the reason the client was lost.

**C. Your Team**

1. Provide the names and location(s) of the team members who will be responsible for this account.
2. Provide a resume or brief biography of each team member.

3. Name the current clients of each team member. Identify the type of client, type of plan, size of plan and how long each team member has provided services to the client.
4. Describe the qualifications of the team members.
5. Will your company and each member of your team accept fiduciary responsibility for your services as a part of this contract?
6. Describe the team's experience with preparing, reviewing and recommending changes to investment policies, guidelines and objectives.
7. Describe how you will monitor compliance with the investment policies, guidelines and objectives.
8. Do you envision managing a portion of the assets?
9. How do you propose that the Pension Committee measure and evaluate your performance?
10. Describe what materials will be provided for performance evaluation and how that material will be prepared. Describe the quality controls in place to ensure the integrity of the information provided. Please include samples of your performance measurement reports.
11. How do you propose that the Pension Committee measure and evaluate the performance of the investment managers?
12. Describe the materials to be used for performance evaluation of investment managers and how that material will be prepared. Describe any quality controls in place to ensure the integrity of the information provided.
13. Please provide a report showing the combined results of your clients' investments for the previous one, three, five and ten years. For clients that you have provided services for only a portion of the time periods requested, state the time period for which you have provided services.
14. Do you accept compensation, either directly or indirectly, from the investment managers you recommend?
15. Have you, any of your affiliates, or any of the team members:
  - Undergone bankruptcy?
  - Undergone liquidation?

- Undergone a proceeding similar to bankruptcy or liquidation?
- Had a license revoked?
- Had their investment or consulting activities restricted?
- Been sued by a client?
- Been found liable or guilty in an administrative, civil, or criminal matter or proceeding by any federal, state or local authority (other than misdemeanor, non-moving traffic violations)?
- Been sued or investigated by the Securities & Exchange Commission, the Department of Labor, the Texas Pension Review Board, or any other federal, state or local authority?
- Been denied liability insurance or a fidelity bond?

Please elaborate on any yes answers to the above questions.

D. Your Fees

1. Provide sufficient detail to describe the fees you propose to charge. Please enclose the fee proposal in a separate envelope which is self-addressed and stamped for our use to return your fee proposal should your proposal not be selected.
2. State the contractual period for which these fees are guaranteed.
3. State any proposed escalation of fees.

E. Our form contract is attached as Exhibit A. Please review it carefully.

F. Provide at least three references (with client name, address, telephone number and contact person), from clients for whom you currently provide, and for the past three years have provided, pension consulting services.

G. Any other information you wish to provide.

## **VII. Evaluation Criteria**

All proposals will be evaluated by the Port Authority generally in accordance with the factors set forth below. After the proposals have been evaluated, the Port Authority, before final selections, may invite proposers to present their proposals by personal interview, at a time and place to be designated. The Port Authority has the sole right to perform this evaluation of the proposers' experience and resources. Neither this Request for Proposals nor any proposal submitted to the Port Authority in accordance with the terms, conditions and instructions as set forth in this Request for Proposals shall be construed as a contract.

A. Evaluation Criteria. Proposers will be generally evaluated on the following criteria as presented by each proposer in its response and any presentation. Percentages are shown to indicate general weight of criteria; the Port Authority reserves the right to vary these weights.

1. Financial Strength and Experience of the Firm (25%)  
What is the proposer's financial strength and experience?
2. Experience and Resources of the Team (25%)  
Does the proposer's team have the experience and resources to manage the Port of Houston Authority Retirement Plan's assets?
3. Services Provided (25%)  
What range of services is proposed to manage the Port of Houston Authority Retirement Plan's assets?
4. Fees (15%)  
Are the proposer's fees appropriate for the value it is to provide?
5. Location of Team (10%).  
Preference will be given to teams located in the Houston area.

B. Validation.

The Port Authority reserves the right to require proposers, at their expense, to validate claims made concerning capabilities, performance, service features, and any other relevant proposer claims. Validations may be in the form of additional references, personal interviews, demonstrations, or any other relevant method the Port Authority deems appropriate.

**VI. Detailed Questionnaire****A. Your Firm**

1. Provide a copy of your ADV as filed with the SEC.

UBS Financial Services' Form ADV Part I is available through publicly available filings at the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**Please see Tab 5 for a copy of our Form ADV, Part II, Disclosure Brochure for UBS Institutional Consulting.**

2. Describe all past, present, and pending censures by the SEC.

The regulatory history of your Institutional Consultant is available through the FINRA Broker Check at [www.finra.org/InvestorInformation](http://www.finra.org/InvestorInformation).

UBS, together with its operating subsidiaries, is one of the world's leading investment firms. As a full service broker-dealer and investment adviser, UBS Financial Services Inc. regularly advises clients with regard to a wide variety of securities and other investments. As a result of its size and broad scope, over the last five years from time-to-time the firm, and/or its principals, has been the subject of litigation or disciplinary action and has been investigated by a security regulatory agency. For UBS Institutional Consulting, the SEC is currently investigating the firm's institutional consulting business. This investigation stems from industry-wide reviews of pension consultants who are registered investment advisors. The Department of Labor recently closed an investigation into the firm's institutional advisory business without making any adverse finding or taking any adverse action against UBS Financial Services.

3. Describe any past, present, and pending criminal, civil or administrative litigation against your firm.

Please refer to question 2.

4. Describe the ownership structure of your firm. If employees have an ownership interest in the firm, please specifically identify who holds that interest.

UBS is a publicly traded corporation, whose shares are listed on the SWX Swiss Stock Exchange, the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE). On 31 December 2008, current UBS employees held an estimated 6% of UBS shares outstanding (including approximately 3% in unvested / blocked shares), based on all known share holdings from employee participation plans, personal holdings and individual retirement plans. At the end of 2008, an estimated 56% of all employees held UBS shares while 51% of all employees held UBS stock options.

5. If any changes in firm ownership are being contemplated, please provide details on the contemplated changes.

Unfortunately we can not comment on the future plans of the firm. Our Institutional Consulting Team in Houston does not expect any significant changes to our team in the near-term and we have a succession plan prepared in case changes were to develop.

6. How long has your firm been in business?

The two Swiss predecessor banks, Swiss Bank Corporation (SBC) and Union Bank of Switzerland (Union Bank) were established in the 19<sup>th</sup> century. UBS Institutional Consulting has served the investment consulting needs of institutional investors since 1984.

7. Provide the most recent audited financial statement for the firm, including a balance sheet and income statement.

UBS has both quarterly and annual financial statements. The quarterly statements are unaudited. The annual statements are audited. You can view UBS Financial Statements and other related documents at

<http://www.ubs.com/1/e/investors/topics.html>

8. Provide a description of the types and amounts of insurance coverages.

UBS has primary insurance through Zurich Insurance Company. The Zurich Insurance Company and Zurich Group hold strong ratings from the major ratings agencies as of October 1, 2009:

***Financial strength ratings***

Zurich Insurance Company: S&P: AA-/negative; A.M. Best: A/ stable

***Issuer credit ratings***

Zurich Insurance Company: S&P: AA-/negative; A.M. Best: a+/ stable

Zurich Group Holding: S&P: A/negative; A.M. Best: a/ stable

***Errors and Omissions Coverage***

UBS has Errors & Omissions insurance through American International Group.

The limit of liability is \$5 million.

***Directors & Officers***

UBS carries Side A D&O insurance only for \$5 million.

***Employee Dishonesty***

UBS purchases a Stockbrokers Blanket Bond. The current policy limit is \$100 million and is available for loss to the firm due to employee dishonesty, theft, destruction, or other perils. The underwriter is American International Group (AIG).

***Workers Compensation***

The firm insures its workers compensation liability through Zurich Insurance Company.

***Fiduciary Liability***

The Pension Protection Act of 2006 exempts broker dealers from the ERISA bond requirement under Section 412 of ERISA. However, UBS AG's Stockbrokers Blanket Bond does provide fidelity bond coverage for ERISA qualified plans for up to \$1 million.

***Fidelity Bonding***

UBS maintains a fidelity bond with American International Group (AIG) with a limit of liability in excess of \$5 million.

***Account Insurance***

SIPC protects client accounts for up to \$500,000 per customer, including \$100,000 for free-credit balances.

The Firm carries extra insurance to supplement the SIPC protection through London Insurers. In the unlikely event that UBS Financial Services Inc. is placed into a bankruptcy proceeding, the policy will provide coverage for losses, supplemental to the coverage provided by SIPC.

The maximum amount payable under this policy is \$600 million. The \$600 million aggregate Policy limit applies to all of the broker/dealers covered by this policy (primary broker/dealers: UBS Financial Services Inc., UBS Securities LLC, UBS Services USA LLC and introducing broker/dealers: UBS International Inc. and UBS Financial Services Incorporated of Puerto Rico) as a group, not to each individually. Subject to this policy limit (payouts will not exceed the \$600 million aggregate), cash is protected up to \$2 million in the aggregate (including \$100,000 under SIPC) for all of a client's accounts held in a particular capacity at UBS Financial Services Inc. This means that cash in multiple accounts held by one client in the same capacity (e.g., two individual accounts) is protected up to \$2 million in the aggregate; such assets in accounts held in different capacities (e.g., an individual account and a joint account) are protected up to \$1 million for each account.

9. Provide an organization chart for your firm. Show the total number of employees in each section of the organization chart.

**Please see Tab 6 for a copy of the firm's organizational chart with the total number of employees in each section of the organizational chart.**

10. Provide a copy of your firm's equal employment policy, HUB, Small Business or similar policies and goals.

Wealth Management Americas Diversity Mission is to:

- Develop a corporate culture which fully supports and capitalizes on the diversity of our workforce and the global marketplace and to
- Engage in proactive efforts to ensure diversity is reflected in our recruiting, retention, and career development initiatives

We are an Equal Employment Opportunity employer, fully committed providing equal opportunity in all areas of employment practices. The firm believes that its overall success will be enhanced by using the talents of all available personnel and qualified applicants for employment. To carry out this policy, it is our intent that:

- All employment policies, procedures and actions must be applied in a totally non-discriminatory manner, and
- No employee or applicant for employment be discriminated against because of race, color, creed, religion, sex, national origin, citizenship, age, disability, medical condition, marital status, sexual orientation, affectional preference, ancestry, veteran status, socioeconomic status, or any other protected category.
- No employee will be retaliated against for reporting in good faith a violation of this policy, or assisting in any activities related to such policy

UBS has received numerous awards for its Diversity. You can view our "Corporate Responsibility" statement by visiting our website at: [http://www.ubs.com/1/e/about/corporate\\_responsibility.html](http://www.ubs.com/1/e/about/corporate_responsibility.html)

UBS is also committed to increasing the participation of minority-, women-, and disabled-owned business enterprises (MWDBE) in its daily business efforts. To support this objective, UBS is working on formally implementing a Diversity Supplier Program. This initiative is expected to enhance linkages with national minority supplier organizations that facilitate MWDBE certifications. In the interim, UBS continues to inquire as to whether prospective vendors are a minority-, women-, or disabled-owned firm during the internal bid process.

11. Describe the types of compensation available to your professional staff, especially any type(s) that would apply to the team covering this account.

Compensation generated by an Institutional Consulting Team is paid directly to UBS Financial Services. From these revenues, the Institutional Consulting Team receives a fractional amount of the total. Within our Team, the resulting revenues are then fractionally distributed among our professional team members.

As such, each member of our team is primarily compensated based on the success (or failure) of our entire team and motivated to conduct business as a collegial and cohesive unit, consistently focused on the best interests of each client.

Additionally, UBS offers a deferred compensation program and the opportunity to earn stock options from UBS. There is also a comprehensive benefits package including health care, insurance and a defined contribution retirement plan.

12. What is the total number of clients being served by your organization?

UBS Institutional Consulting provides consulting services for 739 clients (as of 11/06/2009)

13. Have you placed a limit on the number of clients your organization will serve? If yes, please provide that limit.

Currently, the firm itself has no limitation on the number of clients it intends to accept. The firm has both current extra capacity and the capital needed for future growth. Our Institutional Consulting Group in Houston does not have an aggressive growth plan. We differentiate ourselves from other consulting practices by focusing on providing outstanding client service, so we must manage the number of clients that we are willing to accept based on our ability to service each client without a reduction in quality of service. Currently we provide institutional consulting services to 16 clients and would be willing to add 3 new clients for 2010.

14. What is the largest number of clients handled by one team?

The firm does not provide information concerning other teams' clients.

15. How many government accounts does your firm service? How many accounts with Texas governmental agencies does your firm service? Are there differences between governmental pension plans and private sector pension plans which you believe are relevant to asset allocation or investment management?

UBS Institutional Consulting has 39 government clients. Our Institutional Consulting team provides consulting services to seven public funds with one fund residing in Texas.

**Please see Tab 7 for a representative list of UBS Institutional Consulting Client List.**

While there are obvious differences between governmental and private pension plans, such as regulations and reporting requirements that affect asset allocation and investment management, we are well aware of these issues and will be able to assist the Plan with its goals. It has also been our experience that each plan is unique with different funding ratios, plan liabilities, costs, contribution strategies, so we would use our combined years of experience to determine the best way to proceed for your plan.

16. Describe any relationships with the Port Authority's employees, Commissioners, trustees or others that may be construed as a conflict of interest as defined by ERISA (as if ERISA were applicable to the Plan), Chapter 802 of the Texas Government Code, or the provisions of Texas law concerning public officials pursuant to Chapter 171 of the Texas Local Government Code.

We are not aware of any formal or informal business relationships with your board members, staff, or any other related parties by UBS Institutional Consulting. Our UBS Institutional Consulting team does not manage the personal investments of any board member, staff or related parties. To the best of our knowledge, none of the listed board members are employees, vendors, or consultants at UBS Institutional Consulting. The board members listed are also not related to any of the professionals on our team which would serve your account. We do not anticipate any such conflicts of interest in continuing to serve your accounts. Unfortunately, due to the size and scope of UBS, we can not answer this question on behalf of the entire Firm regarding specific clients whose interests might conflict with your interests.

**For additional information about potential conflicts of interest, please see the UBS Institutional Consulting ADV Disclosure Brochure, including Section VI. Additional Sources of Compensation UBS Financial Services, UBS Affiliates or Financial Advisors.**

17. Provide information explaining your procedures for maintaining independence in the advice that you, as pension investment consultant, provide, in light of the fact that many pension consulting firms provide services both to pension plans who are their advisory clients and to money managers, which duality may create a conflict of interest potentially clouding objectivity.

Our Institutional Consulting Team cannot and does not accept any compensation from managers to be included in searches. Managers are not charged, nor do they pay to be included in the universe of managers presented to you.

In order to further address any perceived conflicts of interest, our team would not recommend for your consideration any proprietary or affiliated money managers, mutual funds or alternative investments. If our non-ERISA clients specifically request the usage of proprietary or affiliated money managers in writing, they can access them.

**For further details please see our Form ADV, Section X, Code of Ethics and Participation or Interest in Client Transactions in Attachment 5.**

18. Describe your business relationships (and those of your affiliates), including but not limited to receipt of fees, from money managers that you would recommend to Port Authority.

Because our UBS Institutional Consulting Team is paid under an annual asset based fee, we believe we significantly minimize potential conflicts with regards to your investment selection. Furthermore, as long as we are not listed as broker of record for mutual funds, our team should not capture any additional revenue as a result of any mutual fund investments.

Financial Advisors in UBS Institutional Consulting are prohibited from receiving unrelated commission or other transaction revenue from any investment manager who is also employed on one of their UBS Institutional Consulting relationships. This prohibition covers all trades that are directed to or on behalf of the Financial Advisor and are unrelated to an account that is receiving consulting services from the Financial Advisor.

**For details please see our Form ADV, Section VI, Additional Sources of Compensation.**

Given the size and structure of UBS, certain managers in the firm's managed programs may contribute to the firm's educational and training programs for financial advisors in other advisory programs; but, those payments are not required for the managers to participate in such programs. These Manager contributions are not disclosed to UBS Institutional Consultants and are not part of their compensation. Investment managers do not contribute toward educational programs specifically for UBS Institutional Consulting.

UBS or any of its affiliates, for compensation, may engage in a variety of transactions with or provide a range of other services to investment managers and mutual funds or to affiliates of or service providers to such funds. Such other transactions and services may include effecting transactions in securities or other instruments, as broker or as dealer for its own account and research, consulting, performance evaluation, investment banking, banking or insurance services.

**For disclosures on UBS Financial Service's and related companies' relationships with managers that may be presented to your organization, please see the following sections of our Form ADV:**

**VI. Additional Sources of Compensation to UBS Financial Services, UBS Affiliates or Financial Advisors**

**IX. Consulting, Other Business Activities and Affiliations**

**X. Code of Ethics and Participation or Interest in Client Transactions**

19. Describe the extent to which you will disclose conflicts and potential conflicts of interest to Port Authority. Of particular interest are your business relationships with money management firms that you would consider recommending to Port Authority.

We disclose our team's compensation and potential conflicts of interest. In addition, as long as UBS is not listed as the broker of record for your plan, our UBS Institutional Consulting Team should not receive any compensation from any managers or investment companies managing investment funds for your organization as a direct result of any investments that your plan makes in the various investment options.

In order to further address any perceived conflicts of interest, our team would not recommend for your consideration any proprietary or affiliated money managers, mutual funds or alternative investments. If our non-ERISA clients specifically request the usage of proprietary or affiliated money managers in writing, they can access them.

**For disclosures on UBS Financial Service's and related companies' receipt of payments from managers that may be presented to your organization please see the following section of our Form ADV:**

**VI. Additional Sources of Compensation to UBS Financial Services, UBS Affiliates or Financial Advisors**

20. Describe the extent to which you will, and the method you will use to, disclose conflicts and potential conflicts of interest which you know or discover between yourself (and your affiliates) and the pension plan trustees, including any economic benefits provided directly or indirectly from plan service providers.

In addition to the response from the previous question, UBS Financial Services has adopted a Code of Ethics which is provided to all employees of the firm. The Code, which supplements the firm's Code of Conduct, has a dual purpose: to set forth standards of conduct that apply to all employees of the firm including the firm's fiduciary obligation to its clients; and, to address conflicts of interest associated with the personal trading activities of a subset of employees defined as "access persons."

**For further details please see our Form ADV, Section X, Code of Ethics and Participation or Interest in Client Transactions.**

21. Explain in detail your understanding of the fiduciary relationship, if you are awarded the contract, between yourself as pension consultant and the Port Authority as your client.

We will acknowledge in our UBS Institutional Consulting Services Agreement that we will act as a fiduciary as the term is defined in Section 3(21) of ERISA with respect to any "investment advice" as defined in the regulations there under, we provide to you or the Plan under this Agreement. We will not be responsible or act as a fiduciary with respect to any other functions or services rendered to you or the Plan by other entities or persons, including by investment fund managers.

We, in providing the services described in the UBS Institutional Consulting Services Agreement, will not have or exercise any discretionary authority over the management or disposition of your plan assets or otherwise act as an 'investment manager' as such term is defined in section 3(38) of ERISA; and we will not have discretionary authority over the administration of the Client or their plan.

22. Describe the policies and procedures maintained by your company that concern how you prevent and manage conflicts of interest in your pension consulting activities.

All UBS Financial Services Inc. employees are responsible for following the firm's Code of Conduct and all policies and procedures applicable to their business unit and position within the firm. Failure to observe these policies and procedures or any relevant laws, rules or regulations, may lead to disciplinary or legal action by governmental authorities, self-regulatory organizations, or from the firm, up to and including termination.

The firm maintains a supervisory system that is designed to oversee and review employee conduct for the purposes of detecting and preventing violations of applicable laws, rules, regulations, policies and procedures. Examples of topics include:

- Ethical Behavior & Business Integrity
- Avoiding Conflicts of Interest
- Legal and Regulatory Matters
- Disclosure and Public Communication
- Privacy/Confidential Client and Firm Information
- Money Laundering and International Issues
- Preventing the Misuse of Insider Information
- Interactions Between Employees

The Code of Conduct is for internal use only and may not be shared with anyone outside of the firm. You can view a general description of UBS's Code of Business Conduct and Ethics on our website:

[http://www.ubs.com/1/e/about/corp\\_responsibility/commitment\\_strategy/policies\\_guidelines.html](http://www.ubs.com/1/e/about/corp_responsibility/commitment_strategy/policies_guidelines.html)

**Investment Adviser Code of Ethics**

As a registered Investment Adviser, UBS Financial Services Inc. is required to adopt an Investment Adviser Code of Ethics. On January 31, 2005, the firm issued the Investment Adviser Code of Ethics as a supplement to the firm's Code of Conduct. The Code of Ethics sets forth standards of business conduct that apply to all employees, and addresses conflicts of interest associated with the personal trading activities of certain employees defined as access persons.

The firm will provide a copy of the Investment Adviser Code of Ethics to any client or prospective client upon request.

**UBS Institutional Consulting Guidelines**

In addition to other firm policies and procedures, as a UBS Institutional Consulting team, we are also responsible for complying with all UBS Institutional Consulting Guidelines. These Guidelines address topics specific to advisors of institutional clients. These policies are for internal use only and may be shared with anyone outside of the firm.

23. Describe the policies and procedures maintained by your company that govern disclosure of conflicts to existing and prospective advisory clients.

UBS is committed to ensuring fair treatment of all its stakeholders, while recognizing that conflicts of interest cannot always be avoided. The firm has therefore established guiding principles outlining its approach to properly identifying and managing conflicts of interest. In addition, various other policies address situations in which a conflict of interest might potentially arise, such as personal account dealing, or the providing and receiving of gifts. UBS's Investment Bank also has specific conflict of interest policies for its research activities. For more information on UBS' policies and guidelines, please visit our site:

[http://www.ubs.com/l/e/about/corp\\_responsibility/commitment\\_strategy/policies\\_guidelines.html](http://www.ubs.com/l/e/about/corp_responsibility/commitment_strategy/policies_guidelines.html)

24. Describe the policies and procedures maintained by your company to prevent conflicts of interest or disclose material conflicts of interest with respect to the use of brokerage commissions, gifts, gratuities, entertainment, contributions, donations and the like provided to clients or received from money managers.

UBS Institutional Consulting generates all of its revenue from investment consulting services. Our Institutional Consulting Team in Houston generates over 70% of its revenues from investment consulting services. The remainder is from retail brokerage accounts.

Financial Advisors in UBS Institutional Consulting are prohibited from receiving unrelated commission or other transaction revenue from any investment manager who is also employed on one of their UBS Institutional Consulting relationships. This prohibition covers all trades that are directed to or on behalf of the Financial Advisor and are unrelated to an account that is receiving consulting services from the Financial Advisor.

**For details, please see our Form ADV, Section VI, Additional Sources of Compensation in Attachment 5.**

In addition UBS has a clearly defined policy that addresses gifts and business entertainment. Our policy clearly states:

- That no gift may be given or received if it creates a conflict of interest.
- The circumstances in which gifts/business entertainment can be given or received
- Prohibition on cash gifts

**B. Your Services**

1. Do you perform asset allocation studies? If yes, describe your method for developing an asset allocation, and provide references, including contact information, for at least two organizations for which you have provided such service. The references should be from organizations that have total assets of a magnitude similar to the Port Authority pension fund.

Yes, we perform asset allocation studies. At UBS Financial Services Inc., we are constantly seeking to improve upon our current processes to provide advice you can depend on. UBS has developed an industry-leading assumptions development process designed to accommodate both traditional and alternative assets in an integrated, consistent manner.

Developing appropriate asset allocation targets is one of the more important aspects of the consulting service process. Our process begins with an intensive interview to determine objectives, projected cash flow/needs, risk tolerance and education on various asset classes to determine the appropriateness of their inclusion into the asset allocation model.

UBS Institutional Consulting takes a strategic approach to asset allocation that uses quantitative portfolio optimization technology to define the efficient frontier. We recommend combinations of managers for your asset allocation model that complement each other within and across asset classes.

As an additive step, our Institutional Consulting team utilizes Quantitative Investment Solutions (QIS), an advanced proprietary portfolio analysis and simulation tool. QIS provides extensive top-down and historic performance analysis of a portfolio and, using Monte Carlo simulation techniques, calculates statistical estimates for the future projected growth of a portfolio. It provides comprehensive reports that include final portfolio value distributions, shortfall risk, risk & return characteristics, asset allocation breakdowns, historic stress tests, portfolio optimization and simulation. This proprietary software application is available to UBS Institutional Consultants from the UBS Quantitative Analysis Team in Zurich.

Each client's asset allocation is developed from the following:

1. An assessment of your investment objectives and tolerance for risk
2. Sophisticated proprietary methodologies using our capital market assumptions
3. An estimated covariance matrix for a set of primary factors that estimates expected relative reactions during all market conditions
4. Identification of underlying economic and fundamental influences of each asset class to be considered for inclusion
5. Our research on the future risk and return potential of each asset category under consideration
6. Equity and fixed income allocations that are further segmented into subclasses and investment styles
7. Final correlations among classes as well as market-related risks.

**Asset Allocation Study References:**

Louisiana State Police Retirement System

Irwin Felps, Director: 225-925-4878

Corpus Christi Firefighters:

Andy Barboza, Chairman:

(361) 882-1486

2. Do you provide recommendations for investment managers? If yes, provide the method by which you determine which managers are to be recommended.

Our Institutional Consulting Team begins by screening the appropriate asset class for manager candidates that meet performance requirements outlined in your investment policy. From there we go to multiple quantitative screens such as peer ranking, manager tenure, assets size. The remaining manager candidates are screened by a number of additional quantitative metrics, including but not limited to outperformance vs. benchmark, alpha, beta, standard deviation, information ratio, upside/downside capture, correlation, average market cap, expense ratio and average holdings. From the remaining universe a number of qualitative screens are imposed including, but not limited to quality of organization and personnel, compensation structure, repeatable investment process, sound investment philosophy, disciplined buy and sell decisions, risk management and objectivity. After undergoing these series of quantitative and qualitative screens, the remaining managers are studied to determine their compatibility with the client's goals and objectives. A minimum of three investment choices where available and most compatible with the goals and objectives are then presented for your review.

Our Institutional Consulting Team is continually modifying and trying to enhance our manager research process. Our team, along with the Manager Research Group, spends a considerable amount of time performing manager due diligence as well as exploring new asset classes and styles.

3. Describe your due diligence process when conducting an investment manager search.

The manager research and due diligence process is a collaborative effort between UBS research professionals and your Institutional Consultants. Our Institutional Consulting Team utilizes the resources of both internal and external information sources and databases for manager research.

The UBS proprietary database is generated by the Manager Research Group of Investment Solutions (IS). The database consists of asset managers, including managers that are limited to institutional clients that satisfy certain due diligence criteria that we have established and that have been subjected to UBS' due diligence review process.

We have a comprehensive manager research and evaluation process that includes not only our UBS proprietary manager database, but we also subscribe to various commercially available manager databases such as Plan Sponsor Network which provides information on thousands of investment strategies.

4. Do you perform asset/liability studies? If yes, describe your asset-liability model in detail and indicate if the model is proprietary or purchased. State how often you recommend performing an asset/liability study. Provide references, including contact information, for at least two organizations for which you have performed an asset/liability study. The references should be from organizations that have total assets of a magnitude similar to the Port Authority pension fund.

While our model allows us to analyze the anticipated effects of inflows and outflows, our model does not explicitly forecast liabilities. We will work with the Port Authority in understanding the spending policy used to calculate your future obligation. If the Port Authority has a significant benefit under-funding or a non-uniform liability term structure, you may need to conduct a spending policy study that would more closely match the current assets with its unique liability term structure. We can be of assistance if you choose to have this type of analysis prepared. Our Team can work with you in developing an asset allocation in line with the actuarial return.

5. Do you provide educational services? If yes, describe the services you provide and how you provide those services.

Our team is available for staff training and board meetings. Consulting to any organization is not just about managing assets, it is about supporting the various groups associated with the organization. Every meeting is an opportunity to provide board members with ongoing development opportunities on a wide variety of topics relating to investment management, asset allocation, and capital market updates. We provide a continuous stream of current global and domestic research, as well as in-depth analysis of both the capital markets and global trends based on information from UBS Wealth Management Research or other UBS affiliates.

We will inform Trustees about best practices, industry trends and technical research and proactively update Trustees about current events and fund manager departures. We will also highlight alternative investment structures and direction (e.g., multiple managers, Commingled Trusts, Institutional Mutual Funds) as well as highlight alternative cost structures (e.g., breakpoints and indexing).

The UBS Legislative Policy & Regulatory Affairs Group monitors and analyzes political, economic and regulatory issues in view of new legislation and regulatory initiatives that impact the financial sector, UBS and clients. This group publishes a weekly report ("Washington Weekly") on major public policy and political developments in Washington DC. Topics include regulatory measures and how they affect UBS clients.

We can provide the committee with the UBS Defined Contribution Plan Fiduciary Kit. This serves as a valuable resource to help plan sponsors understand and address their fiduciary responsibilities under ERISA.

UBS has partnered with Plan Sponsor magazine to provide insight and analysis of plan design trends through Plan Sponsor annual surveys. UBS also sponsored a white paper on retirement plan trends which addresses the challenges and opportunities facing defined contribution plans. This white paper appeared in Plan Sponsor Magazine (04/08).

In addition, for more timely breaking news, such as fund manager departures, change in ownership, etc., we scan dozens of different publications daily and apprise our Plan Sponsors of any significant events on an ongoing basis.

6. Describe your approach to allocating assets among investment styles.

The optimization process uses a proprietary set of UBS capital market assumptions, which includes the expected return, risk and correlations of the different asset classes. These capital market assumption inputs are a critical element of the optimization process, as they influence the investor's exposure to specific asset classes. Since the optimization process is purely quantitative, we then apply a qualitative overlay (or set of constraints) based on investment judgment to arrive at our recommended allocations.

We view asset classes not only by their specific characteristics but also by their effect upon the total portfolio. The relative risk/return characteristics of each asset class are used, as well as the correlation between them. This correlation between asset classes is important in attempting to reduce total portfolio volatility, the key to more stable investment results.

One of the most critical elements behind most asset allocation processes is the set of assumptions used for return, risk and the correlation between asset classes. These basic inputs ultimately determine how much will be allocated to each asset class under consideration. A small change in just one number, or inconsistencies between how the assumptions are arrived at for different types of assets, can have significant effects on the resulting asset allocation.

Developing these assumptions, unfortunately, is no easy task. Never was the old computer adage, "garbage in, garbage out," truer. Analysts in this field have long faced a multitude of issues in developing accurate assumptions. Do we use history as our proxy for the future, or some

combination of history with the analyst's subjective views of the future? Do we incorporate economic forecasts into our assumptions? Should the forecasts be conditional upon certain factors such as rising interest rates or other economic factors? How do we develop forecasts for alternative assets when we are in short supply of reliable data?

The process used to develop allocations to broad asset classes combines the science of optimization and statistical models with the art of capital market experience and the judgment of seasoned investment professionals. The process begins with mean-variance optimization of a set of capital market assumptions to define the "efficient frontier" of mixes of broad asset classes. The "efficient frontier" refers to a statistical and visual representation of the various blends of these asset classes that provide the highest overall expected return for each given level of expected risk and the estimated correlations between the various asset classes. For the optimization process to be effective, the asset classes on which the optimization is done must be distinct and different; therefore, we define the broad asset classes as U.S. equity, U.S. fixed income, non-U.S. equity, non-U.S. fixed income and cash. The optimization process uses a proprietary set of capital market assumptions, which includes the expected return, risk and correlations of the different asset classes. These capital market assumption inputs are a critical element of the optimization process, as they influence the investor's exposure to specific asset classes. Since the optimization process is purely quantitative, we then apply a qualitative overlay (or set of constraints) based on investment judgment to arrive at our recommended allocations.

If appropriate, allocations to alternative assets (e.g., hedge funds, private equity, managed futures, commodities) are "carved out" of the broad asset class allocation, based on the investor's risk tolerance and level of comfort with these more complex, nontraditional investments. The category of alternative investments is commonly used to describe a large number of relatively unique investment strategies with uncorrelated return and risk characteristics. Consequently, it is difficult to use typical optimization techniques to arrive at a suggested allocation to the category in general. Moreover, because many types of alternative investments, particularly hedge funds, often have low correlations to other asset classes, an unconstrained optimization process may over allocate to alternative investments, in its attempt to construct an allocation with the least amount of risk. Due to these challenges, alternative investments are treated as a "carve-out" of the overall fixed income and/or equity allocation, rather than as a distinct asset class. The primary determinants of the alternative investment allocation are the investor's risk tolerance, experience and comfort with these more complex. Investment in certain alternative assets is subject to eligibility requirements. Recommended allocations to alternative investments range from 0% to 35% and the recommended allocation is funded pro rata between both equities and fixed income asset classes.

Periodically the Plan may need to address an asset rebalancing to adjust asset allocations to comply with strategic levels indicated in your investment policy statement. Systematic portfolio rebalancing augments asset allocation by keeping the portfolio from drifting too far off the mark. Together, asset allocation and rebalancing help you establish and adhere to a long-term investment strategy and avoid "style drift".

There are many forms of rebalancing strategies with varying degrees of complexity, featuring variations in how frequently to rebalance (calendar vs. contingent) and how far to rebalance (absolute target, target band, etc.). Each strategy has its merits, and determining which strategy is better for you would require an in-depth review of the plan and its needs.

7. What investment styles are tracked in your performance measurement system? Our current allocation is 50% bonds, 50% equity. Are there other classes of investments which should be strongly considered?

UBS can track a wide range of investments styles:

1. Domestic and international equity in all capitalization and styles
  2. Domestic and international fixed income in all sectors, durations and credits
  3. Diversifiers such as REITs and convertibles
  4. Additional investment approaches including fundamental, quantitative and passive strategies
  5. Exchange traded funds for efficient asset classes
  6. Alternative investments to help reduce volatility
  7. Private equity for total return enhancement
  8. Real assets and TIPs as hedges against inflation
8. Within the broad classes of bonds or equity, should there be targeted allocations to subgroups? If so, please elaborate.

Allocations to equity and fixed income subclasses and styles are available for investors desiring a higher level of specificity in their diversification strategy. To arrive at subclass and style allocations, we do not use the same mean-variance optimization process used for broad asset class allocations. This is because, over the long term, many subclasses (such as large cap, small cap and emerging markets) and styles (such as growth and value) have high correlations to each other (generally 0.80 or higher). In other words, they tend to have similar long-term risk and return characteristics, even though they may behave very differently over shorter periods of time. As a result, the mean-variance optimization process utilized to develop allocations to the broad asset classes is not easily applicable to developing allocations to subclasses and styles because, at such high correlations, subtle differences in risk and return characteristics may cause dramatic differences and inconsistencies in allocation recommendations. Therefore, to arrive at allocations to the subclasses and styles, we use a “market multiple” approach. The market multiple approach starts from the perspective that an investor with a moderate risk tolerance and intermediate time horizon should be allocated across subclasses in approximately the same ratios as the market itself. Thus, if the U.S. equity market is comprised of 80% large cap companies and 20% small cap, then the U.S. Equity subclass allocation for a moderate investor would be allocated in similar proportions (80/20). This is generally considered a “market neutral” position. Your suggested allocation may vary from the market neutral position based on your individual risk tolerance, time horizon and other factors. The suggested allocation for investors with a longer time horizon and/or above-average risk tolerance will contain a greater allocation to riskier subclasses. Conversely, the suggested allocation for investors with a shorter time horizon and/or a below-average risk tolerance will have less exposure to riskier subclasses.

9. Please describe your view as to the appropriateness of “alternative investments” in a fund of our size.

If appropriate, allocations to alternative assets (e.g., hedge funds, private equity, managed futures, commodities) are “carved out” of the broad asset class allocation, based on the investor’s risk tolerance and level of comfort with these more complex, nontraditional investments. The category of alternative investments is commonly used to describe a large number of relatively unique investment strategies with uncorrelated return and risk characteristics. Consequently, it is difficult to use typical optimization techniques to arrive at a suggested allocation to the category in general. Moreover, because many types of alternative investments, particularly hedge funds, often have low correlations to other asset classes, an unconstrained optimization process may overallocate to alternative investments, in its attempt to construct an allocation with the least amount of risk. Due to these challenges, alternative investments are treated as a “carve-out” of the overall fixed income and/or equity allocation, rather than as a distinct asset class. The primary determinants of the alternative investment allocation are the investor’s risk tolerance,

experience and comfort with these more complex non-traditional types of investments. Investment in certain alternative assets is subject to eligibility requirements. Recommended allocations to alternative investments range from 0% to 35% and the recommended allocation is funded pro rata between both equities and fixed income asset classes.

10. Describe your recommended policies regarding bonds whose ratings have been downgraded, when and under what circumstances such bonds should be sold.

If the rating for a bond held by an investment manager falls below the threshold stated by your Investment Policy Statement, the investment manager should be given 30 days to declare their reason for selling or holding the bond in question. If the manager feels their reasons for purchasing that bond are still valid, we would add that consideration to the discussion at the next investment committee meeting.

11. Describe how you verify compliance with investment styles.

The Manager Research Group at their Weehawken headquarters, monitors style adherence through attribution reports on all managers followed by UBS. These reports leverage third party attribution analysis software and would provide information regarding the style consistency of the manager. Some of the factors that are reported on the attribution reports for equity managers include capitalization, beta, quality, yield, P/E, P/B and earnings growth as examples. If the manager is not followed by UBS, then the information would be obtained through our third party investment reporting monitoring vendor.

12. Describe how benchmarks are developed and how performance is compared to relevant items. Describe what you consider relevant comparisons.

Because managers are recommended to a client based on the managers' expertise in a certain style or area, the avoidance of style drift in a portfolio is important. Additionally, style drift can distort a client's asset allocation plan. It can result in a client being exposed to a different level of risk than is expected, and it may compromise diversification – one of the key benefits of asset allocation.

Each strategy has a designated primary benchmark, or comparative index, that is used in evaluating the relative performance of an individual manager. The impact that the benchmark has on the manager's decisions and how closely the manager's performance is expected to track to the benchmark is measured. The performance of a manager where the tracking to benchmark is high should track reasonably closely to the benchmark in the short and longer term. Where tracking to the benchmark is low, performance may diverge significantly from the benchmark over the shorter term. We also use a style box depiction that shows where the manager's investment style is "mapped" on a universal investment style grid. This tool is useful to indicate potential overlap in styles.

In our ongoing due diligence, we reassess the strategy to see if we have the most appropriate benchmark. In instances of style drift, or if a more appropriate benchmark becomes available, we make a change, seldom as it is, if a change is deemed appropriate.

13. What information systems do you use to produce your reports? How frequently are reports produced?

A performance monitoring report is provided quarterly that can be customized to meet the needs of the most sophisticated organization, so clients are not required to identify and retain an outside vendor. Reports are available approximately four to six weeks after the end of each quarter.

We offer our clients several performance monitoring report format options. For assets custodied at UBS, we can use both performance reporting software that is generated in-house and performance monitoring software that is purchased from third party vendors. In order to ensure the accuracy and integrity of the data, calculated performance is compared with investment managers and custodians.

UBS Institutional Consulting also contracts with Informa Investment Solutions to provide institutional clients with the option of a robust performance reporting platform that can interface with multiple custodians and that can be customized to meet the specific needs of each institution. Informa only provides external software to UBS. All input and reconciliation is done internally to control accuracy and timeliness.

14. Do you solicit or accept fees for placing investment managers or for including investment managers in your universe for placement? If so, describe the circumstances and process.

Managers are not charged, nor do they pay to be included in the UBS Institutional Consulting reviewed universe. In turn our Institutional Consulting Team cannot and does not accept any compensation from managers to be included in searches.

Given the size and structure of UBS, certain managers in the firm's managed programs may contribute to the firm's educational and training programs for financial advisors in other advisory programs; but, those payments are not required for the managers to participate in such programs. These Manager contributions are not disclosed to UBS Institutional Consultants and are not part of their compensation.

**For additional information on those contributions, please see Section VI of the Form ADV Disclosure Brochure.**

15. Describe how you detect early problems with investment managers. Provide examples of the tools used and the recommendations given. Remove all names from the examples to protect confidentiality.

In order to detect early problems with investment managers, we rely on many different sources of information from software such as Informa's PSN to Zephyr Style Advisor to our Manager Research Group in order to develop a holistic view of your investment managers. In general, we look for material events that challenge the reasons we had for using that manager, which include:

1. Changes in investment management
2. Changes in recognized investment style analysis and change in holdings
3. Poor communication between investment manager staff and consultants
4. Differences in reported performance vs. our client's performance
5. Manager outside of investment policy

Our team analysts use Informa's PSN and Zephyr Style Advisor to compare the managers' performance to their stated benchmark in order to see how the managers are performing in relation to their stated benchmark. They will look at everything from style drift to a wide variety of statistics that include but not limited to  $R^2$ , alpha, beta, Sharpe ratio, information ratio, and excess returns.

For example, if a large cap growth manager outperforms during a time other large cap growth managers underperform, we would take a look at style drift to see if that manager was pulling performance from another style that was outperforming. Depending on your investment policy statement, that manager might have to be evaluated if they violated their stated style.

In addition to the different software systems we use to monitor manager performance, we also rely on our Manager Research Group for information on managers that they cover. The Manager Research Review Committee uses its collective wisdom and perspective to raise and subsequently answer the questions that will determine how to respond to a material event from a manager in our database. It is both a qualitative and quantitative process.

Although there are guidelines that look at 50 different factors (personnel, risk mgmt, portfolio construction, operations, organization, strength of research, etc.) that we use to monitor and score the managers in our database, it is only a tool that starts a conversation.

In a recent example, two investment managers in our database changed their portfolio managers. The Manager Research Review Committee retained one manager and fired the other.

We retained one manager because their firm replaced the portfolio manager with two lead analysts from the same team that was part of the daily decision making process. They felt that the two new portfolio managers would not change the style of the manager. As this may take some time, the manager was put on hold until we could determine whether the original proposition was still valid.

We immediately terminated the second manager because the portfolio manager and his team were fired and were replaced with a whole new team that did not represent the philosophy and process that earned the manager a spot in the database.

16. Describe how you deal with problems with investment managers.

As problems with investment managers are identified, we would notify the committee of the problem and how we will address it. Here a few examples of past problems, and how they were handled.

1. Changes in investment management would create a due diligence visit
2. Changes in style would prompt a discussion the manager for justification
3. Poor communication would be addressed with the manager to outline our expectations again and consider a change in manager personnel if necessary
4. Difference in returns would cause us to look at our reconciliation process and to challenge the manager to explain the difference
5. Investment policy violations would cause to contact the manager to verify the violation and make any changes to correct the violation.

17. Do you facilitate the transfer of assets between investment managers? If yes, describe the process.

If we act as custodian, we will facilitate the movement of funds with proper instructions from the Port Authority's authorized members.

18. Provide specific examples of how you have added value for your clients.

Here are some examples of how we added value for our clients:

1. In early 2007, we provided one of our clients with an investment manager search to supplement their existing fixed income managers. We added a manager who owned long Treasuries. This manager reduced the risk of the existing portfolio, but it also added tremendous returns to the fixed income component as long Treasury rates dropped. As rates on the 30 year Treasury reached 2.60% we reduced the manager's allocation and realized a large gain for the client.
2. In September 2008, we reduced several clients emerging markets exposure to our concerns about global growth. Emerging markets continued to fall until March of 2009. After we felt that the worst for the crisis was behind us, we added the emerging markets exposure in the summer of 2009.
3. In 2009, we provided one of our clients with a study of active vs. passive management for several different asset classes. The results of this study were a dramatic reducing in investment management fees paid by our client on an annual basis.
4. In 2008 when the financial markets were in crisis, we reviewed our existing clients' money market holdings for safety reasons. We recommended shifting from current income money market funds to treasury backed money markets funds to all of our clients as a proactive measure to protecting our clients' assets.
5. The most important example of our value added to our clients is hard to quantify. We can tell it is derived from our asset allocation process. Over long periods of time, we feel that our greatest value to our clients is the ability we bring to assist in the process of achieving goals at reasonable risk levels. Due to the fact that the local consulting group has had tremendous client retention and has been able to attract new clients, we feel that the process is highly valuable.

19. Provide a list of all new accounts for professional evaluation and consulting services to qualified plan sponsors in the last five (5) years. Structure the list by year. Show type of client, e.g., by industry, public sector/private for-profit/private not-for-profit type of plan, size of plan, and date your services were required.

In the last five years, our Institutional Consulting team has gained 14 clients. Due to our strict privacy policy, we are unable to provide some of the requested information.

Quantity	Client Type	Plan Type
11	Private-not for profit	Foundations & Endowments
2	Corporate	Retirement Plans
1	Public	Pension Plan

20. Provide a list of all accounts lost in the last five (5) years. Structure the list by year. Show type of client, e.g., by industry, public sector/private for-profit/private-not for profit, type of plan, size of plan, date the client was lost, and the reason the client was lost.

In the last five years, our Institutional Consulting team has lost eight clients. Due to our strict privacy policy, we are unable to provide some of the requested information.

Quantity	Client Type	Plan Type
3	Public	Pension Plans
2	Taft-Hartley	Benefit Plans
1	Corporate	Retirement Plan
2	Private-not for profit	Foundation & Endowments

**C. Your Team**

1. Provide the names and location(s) of the team members who will be responsible for this account.

Name:	Title:	Location:
Robert J. Bickham, CIMA®	Senior Vice President – Investments	Houston, TX
R. Craig Rathjen	Senior Vice President – Investments	Houston, TX
Hal G. Tabb, CIMA®	Associate Director	New Orleans, LA
Robin E. Landa	Investment Associate	New Orleans, LA
John L. Monahan	Investment Associate	Houston, TX
Cherrie Brickhouse	Senior Registered Client Service Associate	Houston, TX
Sharon Robles	Senior Registered Client Service Associate	New Orleans, LA

2. Provide a resume or brief biography of each team member.

**Robert J. Bickham, CIMA®** has been in the investment business for over twenty five years and is a Senior Vice President with UBS. He graduated from Georgetown University in Washington, D.C., cum laude, with an honors degree in Finance (1982). Additionally, Rob received his CIMA® (Certified Investment Management Analyst) certification, taught at the Wharton School of Business at the University of Pennsylvania (1988).

Professionally, Rob serves as Co-Chair of UBS' Institutional Consulting Advisory Committee, which is composed of UBS' institutional consultants from around the United States. Rob is an active speaker at national and regional conferences on investment consulting issues. Civically, Rob serves or has served on a number of community boards including the Chamber of Commerce, the Urban League, and the Young Leadership Council.

**Craig Rathjen** graduated from Louisiana State University with a B.B.A. in Business Administration. He is currently a Senior Vice President with UBS Financial Services, Inc. and specializes in providing consulting services. Mr. Rathjen has over 21 years of investment experience, and has spent the majority of his career as an investment consultant to institutional clients. Mr. Rathjen has been with UBS for over 11 years. Prior to UBS, Mr. Rathjen severed as a Senior Investment Consultant with Merrill Lynch and serviced the southwest region of the United States. His responsibilities include assisting clients in developing appropriate investment guidelines, structuring asset allocation programs, manager searches and performance analysis.

**Hal G. Tabb, CIMA®** is a seventeen-year investment representative and an Associate Director with the UBS Institutional Consulting Group in New Orleans. Hal has a Masters of Business Administration from the AB Freeman Graduate School of Business and a Bachelors of Science degree from Tulane University. He earned his CIMA designation in 2003 taught at the Wharton School of Business at the University of Pennsylvania. Mr. Tabb is responsible for client service and business development throughout the Gulf South region of the U.S.

Prior to becoming an investment advisor, Mr. Tabb was an owner and managing partner in a multi-million dollar business with offices throughout the Southeast. Mr. Tabb sold his interest in 1991.

**Robin Landa** is an Investment Associate with over ten years of investment consulting experience and holds a Masters of Business Administration with a concentration in Finance from the University of New Orleans. She received a Bachelors of Applied Science from Loyola University and is both Series 7 and 66 licensed. She has been with the consulting team in New Orleans since 1997 and is responsible for asset allocation analysis, manager search and selection and consulting services to clients.

**John Monahan**, Technical Analyst joined UBS Financial Services Inc. in 2006 following a 12 year career in the financial services industry that included operations, business analysis, and relationship management with AIM and Fiserv Investor Services. As the team's technical analyst, John is responsible for evaluating risk/return profiles, integrating investment policy statements, filtering manager search results, creating asset allocation models, and performance reporting. John is the liaison with investment managers and receives regular updates with commentary from their portfolio representatives. John graduated from Texas A&M University with a B.A. in Modern Languages and has the following licenses: Series 7 and 66.

**Cherrie Brickhouse** is the team's senior administrative associate and primary interface with corporate trustees, third party administrators, CPA's and other client providers. In addition, she oversees account opening and ongoing maintenance, executes product and service agreements, and is responsible for overseeing all client requirements for operational support. Cherrie is a registered securities representative and has been with UBS Financial Services Inc. since 1997 and has the following licenses: Series 7, 63 and 65

**Sharon Robles** has been with the UBS Institutional Consulting Team in New Orleans since 2005 and has over 20 years investment and client service experience. Prior to joining our team, Sharon was with Legg Mason. She is both Series 7 and 63 licensed. She assists our institutional clients with billing, statements, allocation adjustments and general inquiries.

3. Name the current clients of each team member. Identify the type of client, type of plan, size of plan and how long each team member has provided services to the client.

UBS Financial Services adheres to a high level of client confidentiality and privacy. We prefer to limit the exposure of our clients as references during the RFP process until we reach a stage where reference checks are pertinent. These same standards will be applied in protecting your privacy when you become a UBS Financial Services client. We will gladly comply with your request for references as the need arises during the search process and will provide specific contact information at that time.

Our Institutional Consulting team provides consulting services to 48 clients with combined assets under management of \$7 billion. We provide services to foundations, endowments, corporate plans, and government plans ranging in size from \$10 million to over a \$1 billion. We have several clients that have been with us for 18 years. We feel that the Port of Houston Authority would be a great fit to our existing client base.

Rob Bickham and Hal Tabb are the primary consultants for 30 clients with assets of \$6 billion who have an average client relationship of 10 years?

Craig Rathjen is the primary consultants for 18 clients with assets of \$1 billion who have an average client relationship of 8 years?

4. Describe the qualifications of the team members

Please see question 2.

5. Will your company and each member of your team accept fiduciary responsibility for your services as a part of this contract?

As stated in question A21, we will acknowledge in our UBS Institutional Consulting Services Agreement that we will act as a fiduciary as the term is defined in Section 3(21) of ERISA with respect to any "investment advice" as defined in the regulations there under, we provide to you or the Plan under this Agreement. We will not be responsible or act as a fiduciary with respect to any other functions or services rendered to you or the Plan by other entities or persons, including by investment fund managers.

We, in providing the services described in the UBS Institutional Consulting Services Agreement, will not have or exercise any discretionary authority over the management or disposition of your plan assets or otherwise act as an 'investment manager' as such term is defined in section 3(38) of ERISA; and we will not have discretionary authority over the administration of the Client or their plan.

6. Describe the team's experience with preparing, reviewing and recommending changes to investment policies, guidelines and objectives.

Craig & Rob have many years of experience preparing, reviewing, and recommending changes to investment policies, guidelines, and objectives of many different types of organizations.

Assisting in the development of an overall investment policy is one of the most critical steps in the asset management process. Without one it is difficult to analyze performance or evaluate which investment managers should be hired to meet the client's needs. In order to develop the investment policy, we will seek to find the balance between return and risk that is appropriate for the assets. Generally, we focus on determining the amount of risk to be taken and pursuing the highest return reasonably expected for this risk level.

7. Describe how you will monitor compliance with the investment policies, guidelines and objectives.

Your investment policy statement will establish guidelines for investment managers to which they must adhere and by which they will be judged. Each manager will be expected to follow the IPS guidelines which you provide to them. We believe the continued use of a manager should be questioned if one of those criteria is not being met. If a manager does not perform up to par, we typically allow several quarters before recommending that you remove a manager.

UBS Institutional Consulting does not assume responsibility for monitoring compliance with specific guidelines contained in your investment policy or your investment manager's compliance with your investment policy statement or other investment restrictions.

8. Do you envision managing a portion of the assets?

No. We do not envision personally managing a portion of the assets

9. How do you propose that the Pension Committee measure and evaluate your performance?

Our Institutional Consulting Team should be measured and evaluated by the following criteria:

1. Communication
2. Assisting in defining goals
3. Education
4. Building a repeatable process
5. Low manager turnover
6. Reporting results effectively
7. Timely follow up on all administrative issues
8. Performance that helps meet the goals of the plan

We feel that by evaluating our team by these criteria, the Pension Committee would have a more realistic picture of the level of service that we provide. If we have not established the level of trust with the committee when performance is good, it would be tough for us to weather rougher markets when that trust is a necessary foundation for our relationship with you.

10. Describe what materials will be provided for performance evaluation and how that material will be prepared. Describe the quality controls in place to ensure the integrity of the information provided. Please include samples of your performance measurement reports.

Typically, we meet with our clients on a quarterly basis to review their portfolio and the individual investment managers. We also provide a brief series of slides and charts we call the "Capital Markets Overview". Before we discuss the client's plan and investment managers, we will provide this capital markets overview so that the client has a keen perspective when they later review each manager and why it under- or over-performed during a period. We believe this additional perspective is critical to making informed long term assessments and decisions.

Through the performance evaluation report, we review the following elements in order to provide a comprehensive understanding of an investment program and its progress over time:

- summary of assets at the beginning and end of the period, including any additions or withdrawals
- industry standard time-weighted rates of return
- risk-adjusted return analysis
- detailed investment performance analysis
- objective comparisons to appropriate indices, inflation, and stated goals
- appropriate universes of similarly managed funds
- market cycle comparisons
- performance attribution analysis

**Please see Tab 8 for a sample performance report.**

11. How do you propose that the Pension Committee measure and evaluate the performance of the investment managers?

We present performance measurement information in a variety of dimensions, including return vs. risk. The rate of return is calculated with industry standard time-weighted, geometrically linked approach; and the risk measure is derived from the calculation of the variance of returns and depicted, typically, as the standard deviation of returns. Returns can also be compared to a manager peer group as well as relative to the investment policy and the stated customized benchmark. Additional risk measures may also include portfolio beta, R-squared, Sharpe ratio and up-market/down-market analyses.

The sources of this information are published return and risk calculations on the various indexes used as benchmarks and the return and risk calculations generally prepared on our performance measurement system. Our team will analyze factors such as timing, security selection, sector weighting and style to determine that contribution to investment return.

For some strategies quarterly attribution reports are run that measure factor, sector and security level risks and performance attribution. For all of the strategies these attribution reports are run during our periodic (12 to 24 months) due diligence updates. Our analysts run these reports to review the portfolio risks taken and identify any unexpected risks being employed by the strategy.

Your investment policy statement will establish guidelines for investment managers to which they must adhere and by which they will be judged. We believe the continued use of a manager should be questioned if one of those criteria is not being met or for the reasons listed below:

- Consistent under-performance over the long-term compared to the appropriate market index and peer group;
- Significant changes in the organization (key personnel, ownership, etc.) that may have a negative impact upon potential performance;
- A drift in the manager's established investment process;
- Reduction in an allocation to a particular asset class or investment style.

12. Describe the materials to be used for performance evaluation of investment managers and how that material will be prepared. Describe any quality controls in place to ensure the integrity of the information provided.

**Please see question 10 in this section for a description of the materials used for performance evaluation of investment managers.**

We use custodians' reports to calculate performance. We review the performance results and that reported by money managers for comparative purposes. Discrepancies in performance are investigated.

13. Please provide a report showing the combined results of your clients' investments for the previous one, three, five and ten years. For clients that you have provided services for only a portion of the time periods requested, state the time period for which you have provided services.

Our client portfolios are comprised of a mix of portfolio managers and we monitor performance at two levels – the portfolio manager level and the client portfolio level. Clearly, due to privacy reasons, client portfolio performance data cannot be provided. Our Team does not try to fit clients into a standard portfolio of managers and products. Instead, we craft a customized solution to meet the needs and committee concerns of each individual client. Since each solution is tailored for the particular client and their needs, their performance will also vary and would not be an appropriate guideline for other clients.

However, we are happy to discuss the performance of some of the portfolio managers who we have recommended. Many of these portfolio managers are in the top quartile, if not in the top ten percent, of their universe over time when measured for performance, risk and risk-adjusted returns. We believe that a portfolio constructed with such "best-of-breed" managers should expect to beat its blended benchmark, net of fee, over time. However, past performance is no guarantee of future results.

14. Do you accept compensation, either directly or indirectly, from the investment managers you recommend?

No. We do not accept compensation either directly or indirectly from the investment managers that we recommend. Financial Advisors in UBS Institutional Consulting are prohibited from receiving unrelated commission or other transaction revenue from any investment manager who is also employed on one of their UBS Institutional Consulting relationships. This prohibition covers all trades that are directed to or on behalf of the Financial Advisor and are unrelated to an account that is receiving consulting services from the Financial Advisor.

**For details, please see Form ADV, Section VI, Additional Sources of Compensation.**

Because our UBS Institutional Consulting Team is paid under an annual asset based fee, we believe we significantly minimize potential conflicts with regards to your investment selection.

Compensation generated by an Institutional Consulting Team is paid directly to UBS Financial Services. From these revenues, the Institutional Consulting Team receives a fractional amount of the total. Within our Team, the resulting revenues are then fractionally distributed among our professional team members.

As such, each member of our team is primarily compensated based on the success (or failure) of our entire team and motivated to conduct business as a collegial and cohesive unit, consistently focused on the best interests of each client.

Additionally, UBS offers a deferred compensation program and the opportunity to earn stock options from UBS. There is also a comprehensive benefits package including health care, insurance and a defined contribution retirement plan.

15. Have you, any of your affiliates, or any of the team members:

- Undergone bankruptcy?
- Undergone liquidation?
- Undergone a proceeding similar to bankruptcy or liquidation?
- Had a license revoked?
- Had their investment or consulting activities restricted?
- Been sued by a client?
- Been found liable or guilty in an administrative, civil, or criminal matter or proceeding by any federal, state or local authority (other than misdemeanor, non-moving traffic violations)?
- Been sued or investigated by the Securities & Exchange Commission, the Department of Labor, the Texas Pension Review Board, or any other federal, state or local authority?
- Been denied liability insurance or a fidelity bond?

None of our team members or affiliates have undergone or been subject to any of these situations.

Please elaborate on any yes answers to the above questions.

**D. Your Fees**

1. Provide sufficient detail to describe the fees you propose to charge.

UBS Institutional Consulting has various fee structures for our services, as described in our Form ADV. Based on our understanding of your needs, we would propose an asset based fee consulting structure to the Port of Houston Authority:

- Comprehensive initial portfolio risk/return and manager assessment
- Act as a fiduciary as the term is defined in Section 3(21) of ERISA with respect to any "investment advice" as defined in the regulations there under, we provide to you or the Plan under this Agreement.
- Assistance in investment policy statement development or modification
- Manager searches and ongoing due diligence as needed
- Monitoring and modeling portfolio asset allocation and rebalance when necessary
- Attend quarterly Investment Committee meetings
- Produce customized quarterly performance reports
- Ongoing strategic consulting and committee/board education as needed.
- Custodial services with electronic interface capability are included for assets custodied at UBS
- Working with Port of Houston Authority staff to manage cash for withdrawals and other liquidity needs

The asset based fee for the above services would be **6 basis points** per year full retainer all assets.

Please enclose the fee proposal in a separate envelope which is self-addressed and stamped for our use to return your fee proposal should your proposal not be selected.

2. State the contractual period for which these fees are guaranteed.  
These fees will be guaranteed for 5 years.
3. State any proposed escalation of fees.  
Unless there is a material change in service, there will never be a proposed escalation of fees.

- F. Provide at least three references (with client name, address, telephone number - contact person), from clients for whom you currently provide, and for the past three years have provided, pension consulting services

**Louisiana Asset Management Pool**

228 St. Charles Avenue, Suite 1123

New Orleans, LA 70130

(504) 525-5267

Theo Sanders, CEO

9 Years

Comprehensive Consulting

**Millennium Trust, Medicaid Trust for the Elderly, and Louisiana Education Quality Trust Fund**

Post Office Box 44154

Baton Rouge, LA 70804

(225) 342-0055

Ron Henson, First Assistant State Treasurer

6 Years

Comprehensive Consulting

**Louisiana State Police Retirement System**

3100 Brentwood Drive, Suite B

Baton Rouge, LA 70809

(225) 925-4878

Irwin Felps, Director

18 Years

Comprehensive Consulting

**Corpus Christi Firefighters Retirement System Pension Fund**

711 N Carancahua St., Ste 724

Corpus Christi, TX 78475

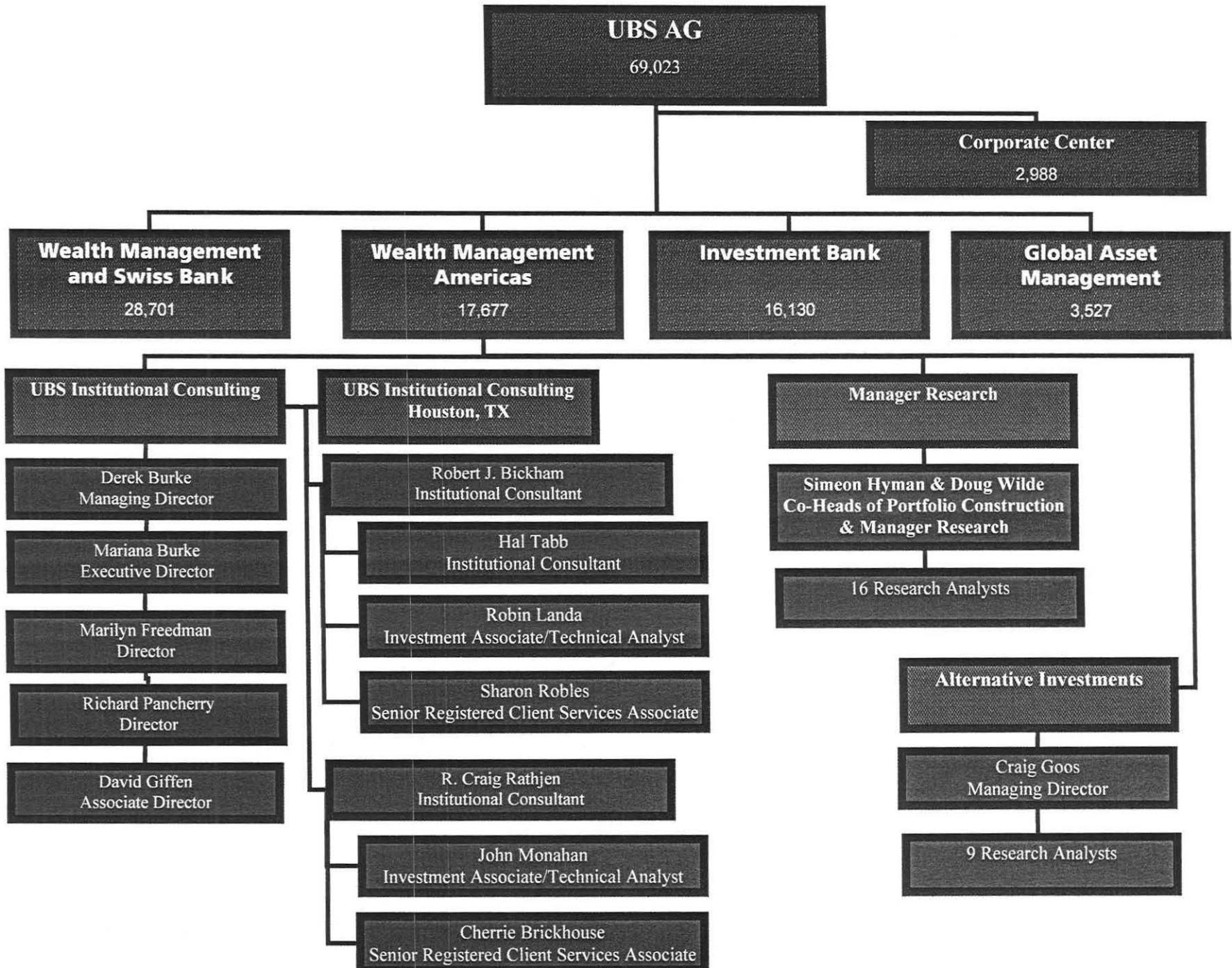
(361) 882-1486

Andy Barboza, Chairman

10 Years

Comprehensive Consulting

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# **UBS Institutional Consulting Representative Client List**

## **Public Funds**

Beaumont Fireman's Retirement Fund  
City of Bellevue, Washington  
City of Birmingham Retirement Fund  
City of East Point Pension Plan  
City of Redmond, Washington  
Cobb County Employee Retirement Plan  
Corpus Christi Firefighters Retirement System  
Jefferson County, Alabama  
Louisiana Asset Management Pool  
Louisiana State Police Retirement System

## **Taft-Hartley (Union) Funds**

Foremen Benefits  
Jefferson Federation of Teachers  
Local 126 Retirement Trust Fund  
Pipe Trades District Council No 36  
Plumbers & Pipefitters Local 572  
Plumbers & Steamfitters, Local 141  
Shreveport Electrical IBEW Local 141

## **Law Firms & Partnerships**

Allen Matkins LLP  
Davis Wright Tremaine  
Farella Braun + Martel LLP  
Jeffer, Mangels, Butler, Marmaro LLP  
Meister, Seelig & Fein LLP  
Ogletree, Deakins, Nash, Smoak & Stewart  
Powell, Goldstein Frazer & Murphy  
Ryan, Swanson & Cleveland, PLLC  
Stradley, Ronon, Stevens & Young  
Wallace, Roberts & Todd  
White, Farr, Wampler & Henson  
Zimmer Gunsul Frasca Architects LLP

## **Insurance Companies**

ACE Limited  
American Financial Group  
ARECA Insurance  
Blue Cross Blue Shield of Arizona  
Centre Group Holdings Ltd.  
Channel Reinsurance  
Montpelier Insurance  
Ohio National Investments  
RenaissanceRe

## **Religious Organizations**

American Baptist Homes of the West  
Baptist Community Ministries  
Catholic Endowment Foundation  
Free Methodist Foundation  
Institute of the Sisters of Mercy  
Northern California Presbyterian Homes  
Union Temple of Brooklyn

This client list contains the names of all clients who have given permission to list their names as representative clients who receive a variety of advisory services at UBS Financial Services Inc. (as of 06/10/09). These clients have not indicated whether or not they endorse the advisory services provided by UBS Financial Services Inc. FOR INSTITUTIONAL USE ONLY

# **UBS Institutional Consulting**

## **Representative Client List**

### **Corporations**

Axiom Corporation  
Alaska Village Electric Cooperative  
Alion Science & Technology Corporation  
Arctic Slope Regional Corporation  
Bermuda Electric Light Company  
Bristol Bay Economic Development  
Cascade Bancorp  
Cook Inlet Region Inc.  
Daymon Worldwide  
Dunavant Enterprises  
Federal Home Loan Bank of Seattle  
Genuine Parts Company  
Goodfellow Brothers  
Harte-Hanks Inc.  
Huna Totem Corporation  
Hunter Fan Corporation  
Husky International Trucks

### **Corporations**

Imerys  
Infonet Services Corporation  
International Shipholding Corporation  
Kitchell Corporation  
Lacks Stores  
LiveNation  
Mutual Materials Inc.  
Northwest Alaska Native Association (NANA)  
PMC-Sierra  
Risk Acceptance Management Corp.  
Southwire Company  
Tidewater Corporation  
Timex Corporation  
TraPac Corporation  
Trident Seafoods  
Ukpeagvik Inupiat Corporation  
WESCO International

# **UBS Institutional Consulting**

## **Representative Client List**

### **Foundations & Endowments**

Anna May Family Foundation  
Asbury Foundation  
Bikini Claims Trust  
Bikini Resettlement Trust  
Burden Foundation  
The CIRI Foundation  
Community Foundation Santa Cruz County  
Confederated Tribes of Grand Ronde  
Dr. & Mrs. Hugh Kennedy Foundation  
Huna Totem Settlement Trust  
Junior Achievement of Greater New Orleans  
Louise Taft Semple Foundation  
Medina Foundation  
Quantum Foundation  
Tatitlek Settlement Trust  
YWCA of the City of New York

### **Educational Institutions**

American Academy of Ophthalmology  
Eastern Michigan University Foundation  
Naval Academy Athletic Association  
Southern Oregon University Foundation

### **Hospitals & Healthcare Providers**

Asante Health System  
Bristol Bay Area Health Corporation  
Cape Regional Medical Center  
Catholic Healthcare West  
Chapel Hill Retirement Center  
Healthcare Foundation for Orange County  
Loma Linda University Health Care  
Methodist Hospital of Southern California  
Miami Children's Hospital  
On Lok Inc.  
Sentara Healthcare Systems  
Southwest Catholic Heath Network  
The Bermuda Hospital  
Touro Infirmary  
University Medical Center Corporation