

STATE AND PUBLIC PENSION FUND
INVESTMENT PROTECTION PRINCIPLES

(As amended 9/3/03)

A. Effective January 1, 2004, every financial organization that provides investment banking services and is retained or utilized by a certain client should adopt the terms of the settlement between the New York Attorney General, the Securities and Exchange Commission, the New York Stock Exchange, NASD, and the North American Securities Administrators Association and ten of the nation's largest investment firms, dated April 28, 2003 (hereinafter "the Investment Protection Principles"). In retaining and evaluating any such financial organization, the State Treasurer will give significant consideration to whether such organization has adopted principles set forth below:

- Severing the link between compensation for analysts and investment banking;
- Completely separating Research and Investment Banking, including physical separation. Research will not report directly or indirectly to or through Investment Banking.
- Requiring that Research have its own dedicated legal and compliance staff.
- Requiring firms to create and enforce firewalls reasonably designed to prohibit all communications between Research and Investment Banking.
- Prohibiting Research from participating in efforts to solicit investment banking business. Analysts may not participate in "pitches" or Investment Banking sponsored road shows.
- Prohibiting investment banking input into analyst compensation;
- Establishing written criteria (exclusive of Investment Banking input) to be used for compensation decisions.
- Compensating analysts in significant part based on the quality and accuracy of their work.
- Investment Banking shall have no input into an analyst's evaluation.
- Decisions concerning compensation shall be documented.
- Creating a review committee to approve all research recommendations.
- The review committee will review all changes in ratings, if any, and material changes in price targets, if any, contained in the firm's research reports.
- The review committee will conduct periodic reviews of research reports to determine whether changes in ratings or price targets, if any, should be considered.

- The review committee will monitor the overall quality and accuracy of the firm's research reports.
- Requiring that upon discontinuation of research coverage of a company, firms will disclose the coverage termination and the rationale for such termination.
- Prohibiting Investment Banking input into company-specific coverage decisions (i.e., whether or not to initiate or terminate coverage of a particular company in research reports furnished by the firm).
- Disclosing in research reports whether the firm has received or is entitled to receive any compensation from a covered company over the past 12 months.
- Each quarter, firms shall publish on their websites a chart showing their analysts' performance, including each analyst's name, ratings, price targets, and earnings per share forecasts for each covered company, as well as an explanation of the firm's rating system.
- Establishing a monitoring process to ensure compliance with the principles.
- Each firm shall conduct an annual review to provide reasonable assurance that the firm is in compliance.
- The Treasurer reserves the right to request an independent audit or confirmation of compliance with these Standards and in the case of those firms party to the Global Settlement, a copy of the report prepared by the Independent Monitor.