



GOVERNOR'S OFFICE OF
MINORITY AFFAIRS



Report on the Usage of Minority and Women- Owned Brokerage and Investment Management Firms by the State of Maryland

State Treasurer's Office
State Retirement & Pension System
Injured Workers' Insurance Fund
Maryland Automobile Insurance Fund

for

Fiscal Year 2010

GOVERNOR'S OFFICE OF MINORITY AFFAIRS

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This report and analysis was prepared by the Governor's Office of Minority Affairs (GOMA) and Mr. Zanes Cypress, Consultant. Mr. Cypress served as GOMA's resident investment analyst for implementation of the 2008 Senate Bill 606 / House Bill 1277 – *State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises*, codified under Chapter 600.

Message from Special Secretary Luwanda W. Jenkins

The Governor's Office of Minority Affairs is pleased to submit the Fiscal Year 2010 Annual Report on the Usage of Minority and Women-Owned Brokerage and Investment Management Firms by the State Retirement and Pension System (SRPS), Injured Workers' Insurance Fund (IWIF), Maryland Automobile Insurance Fund (MAIF), and the State Treasurer's Office. This comprehensive report was produced in collaboration with these four entities and illustrates the State's progress to date.

As of June 30, 2010, the State of Maryland employed (59) minority investment managers. The (59) firms managed a total of \$3.0 billion of State assets – **an increase of \$1.6 billion from one year ago. This translates into more than a 125.8% increase in State assets being managed by minority-owned investment firms.**

In addition to investment data from applicable entities, the report also details investment broker/dealer information from both the State Treasurer's Office and the SRPS. The State Treasurer's Office quantified broker/dealer data by the dollar amount of assets brokered and the SRPS reported broker/dealer data in commissions paid. The State Treasurer's Office brokered \$527 million with 14 minority-owned investment firms. This accounted for 10.3% of the total \$5.1 billion brokered for the year. The SRPS paid \$1.6 million to 35 minority investment broker/dealers. This represented 11.5% of the total \$14 million of commissions paid.

This report includes a new component – a portfolio composition for each entity as of June 30, 2010. It also provides assets managed/brokered by minority business enterprises (MBEs), the list of MBEs utilized by each entity, and a detailed list of MBE brokers and investment managers by minority classification.

The State's implementation of the 2008 Senate Bill 606/House Bill 1277 – *State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises*, codified under Chapter 600, has resulted in substantial participation by minority business enterprises in the State's equity procurements and undoubtedly provided opportunities. As an additional benefit, those opportunities were created in an industry which has been historically closed to women and ethnic minorities, and this overall effort has heightened Maryland's reputation as a trailblazer in the minority and small business arena.

Minority business enterprises and small businesses are a driving force in our economy. The O'Malley-Brown Administration will continue to seek ways to increase opportunities for their growth and sustainability, and promote inclusion efforts that will provide **More Business for Everyone.**

Sincerely,



Luwanda W. Jenkins
Special Secretary
Governor's Office of Minority Affairs

Executive Summary

Maryland's Minority Business Enterprise (MBE) Program, revered as one of the first of its kind in the country, was created in part to assist MBEs in gaining greater access to State government contracts and procurement opportunities. The Governor's Office of Minority Affairs (GOMA) is responsible for statewide oversight and compliance of the MBE and Small Business Reserve (SBR) Programs. GOMA serves as a one stop shop for advocacy, information, referral, and support for Maryland's robust community of minority and women-owned businesses, and also advises the Governor on MBE policy.

In 2008, the Maryland General Assembly passed Senate Bill 606 / House Bill 1277 – *State Government – Brokerage and Investment Services – Use of Minority Business Enterprises*, codified under Chapter 600. The legislation requires:

“the State Treasurer, the Maryland Automobile Insurance Fund, the Injured Workers’ Insurance Fund, and State Retirement and Pension System to attempt to use minority business enterprises (MBE) to the greatest extent feasible to provide brokerage and investment management services. The four entities’ use of MBEs must be consistent with MBE purchasing standards in current law and with their respective fiduciary responsibilities.¹”

Additionally, the bill required that GOMA work with the four entities “to develop guidelines to implement the bill’s provisions and to submit annual reports” to the General Assembly documenting the progress.

This second annual report serves as documentation of the efforts and progress made by the State Treasurer’s Office (State Treasurer), Maryland Automobile Insurance Fund (MAIF), Injured Workers’ Insurance Fund (IWIF), and the State Retirement and Pension System (SRPS) in attempting to utilize minority and women-owned business enterprises (MBEs) to provide investment brokerage and management services during Fiscal Year 2010 (July 1, 2009 – June 30, 2010). The data presented is cumulative in many respects as it captures and compares data spanning from 2006 to 2010. The purpose of this report is to address two primary objectives: 1) to report the actions taken by the four previously mentioned entities to increase MBE investment brokerage and management services and, (2) to provide a conceptual framework for analysis in order to determine the level of progress made by the State of Maryland in regards to the Senate Bill 606 / House Bill 1277 legislation. In addition to these primary objectives, the State’s intent is to increase the transparency of government procurement activity and access to opportunities within the financial services arena.

All four entities have been consistent with MBE purchasing standards and with their respective fiduciary responsibilities. GOMA has continued to provide guidance and technical assistance to State agencies regarding efforts to achieve MBE Program goals.

The State of Maryland has taken great strides over the past two years. For Fiscal Year 2010, the summarized efforts and accomplishments of each entity are as follows:

¹ Department of Legislative Service Senate Bill 606 / House Bill 1277 (2008) State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises

State Treasurer

- All investment management decisions are handled in house by its Director of Investment. The State Treasurer's operational structure does not provide any external investment management opportunities similar to the other three entities. Because of this, only investment brokerage opportunities exist.
- MBEs brokered \$527.3 million of the total \$5.1 billion of assets, translating into a 10.3% MBE broker utilization rate on total assets brokered for the year. Of the 37 total non-primary brokers utilized, 14 or 37.8% were MBEs. This year marked the second consecutive year in which the State Treasurer achieved double digit percentages in assets brokered by MBEs.
- Last year, \$6.4 billion of total assets were brokered. Of that amount, \$1.0 billion was brokered by MBEs resulting in a 16.7% MBE broker utilization rate.

Maryland Automobile Insurance Fund (MAIF)

- MAIF's operational structure does not provide any direct investment brokerage service opportunities. Instead, all brokerage services are handled by the individual external investment managers hired by MAIF. While MAIF's contracts do not allow it to select the brokers used by these managers, MAIF has informed its managers of the importance of working with MBE investment brokers.

\$42.0 million of MAIF's total \$299.0 million investment portfolio was managed by MBEs, translating into a 14.0% MBE investment manager utilization rate for the year. Out of the 6 available asset classes within the MAIF investment portfolio, the agency continued to have MBE representation in the Fixed Income asset class². In total, 2 MBEs were utilized by MAIF.

- Last year, \$7.3 million or 2.5% of MAIF's total \$290.6 million investment portfolio was managed by one MBE firm.

Injured Worker's Insurance Fund (IWIF)

- As with MAIF, IWIF's operational structure does not provide any direct investment brokerage service opportunities. Instead, all brokerage services are handled by the individual external investment managers hired by IWIF.
- \$92.4 million of IWIF's total \$1.6 billion investment portfolio was managed by MBEs, translating into a 5.6% MBE investment manager utilization rate for the year. Out of the 4 available asset classes within the IWIF investment portfolio, 2 maintained MBE representation³. In total, 4 MBE firms were utilized by IWIF.
- Last year, \$85 million or 5.0% of IWIF's \$1.7 billion investment portfolio was managed by MBEs.

² MAIF MBE investment manager representation was present in the Fixed Income asset class. The following asset classes lacked MBE investment manager representation - Large Cap, SMID Cap, Micro Cap, Alternatives, and International.

³ IWIF MBE investment manager representation was present in the following asset classes - Domestic SMID Equity and Core Fixed Income. The following asset classes lacked MBE investment manager representation - Corp. Oriented and Convertible Bonds.

State Retirement and Pension System (SRPS)

Broker Utilization

- MBEs represented \$1.6 million of the total \$14.0 million in investment brokerage service commissions paid by SRPS⁴ for the year. As a result, MBEs were paid roughly 11.5% of the total investment brokerage commissions expended by SRPS. In total, 35 MBE brokers were utilized by SRPS.
- Last year, MBEs represented \$0.8 million or 8.5% of the total \$9.4 million in investment brokerage service commissions paid by SRPS.

Investment Manager Utilization

- \$2.9 billion of SRPS' total \$31.8 billion investment portfolio was managed by MBEs translating into a 9.1% MBE investment manager utilization rate for the year. Out of the 9 available asset classes within the SRPS investment portfolio, 7 maintained MBE representation⁵. In total, 53 MBE investment managers were utilized by SRPS.
- Last year, \$1.2 billion or 4.4% of SRPS' \$28.5 billion investment portfolio was managed by MBEs.

Investment Portfolio Summary by Agency As of June 30, 2010 (Expressed in Millions)

Entity	2009		2010	
	Total	MBE	Total	MBE
SPRS	\$28,530.9	\$1,253.4	\$31,840.9	\$2,905.4
IWIF	\$1,700.0	\$85.0	\$1,643.7	\$92.4
MAIF	\$290.6	\$7.3	\$299.0	\$42.0
Total	\$30,521.5	\$1,345.7	\$33,783.6	\$3,039.8

Currently, 102 MBEs have been identified as being retained by the State Treasurer, MAIF, IWIF, and SRPS⁶. Of this total, 43 were MBE investment brokers and 59 were MBE investment managers. There were 10 MBEs that are headquartered or have offices in Maryland – (3 MBE investment brokers) FRS Securities, Loop Capital Markets, and Percival Partners – (7 MBE investment managers) Brown Capital Management, Charter Financial Group, Credo Capital Management, New Century Advisors, Profit Investment Management, RLJ Equity Partners, and Xavier Capital Management. This year over \$3.0 billion of State assets were managed by MBE investment managers, an increase of \$1.6 billion from one year ago. This translates into more than a 125.8% increase in State assets being managed by minority-owned investment firms. Of the total \$33.7 billion investment portfolio, 8.9% was managed by MBE investment managers.

⁴ This total includes broker commissions made from direct executions and step-outs to MBEs.

⁵ SRPS MBE investment manager representation was present in the following asset classes – US Equity, Int. Equity, Global Equity, Fixed Income, Credit Opportunity, Real Return, and Absolute Return. The following asset classes lacked MBE investment manager representation – Real Estate and Private Equity.

⁶ This total takes in account the redundancy of firms utilized by multiple agencies.

Last year, the State employed 51 MBE investment managers that managed \$1.3 billion of State assets – an increase of \$994 million from previous year, representing a 314% increase.

The State continues to support and promote the inclusion of MBEs in all areas within the financial services industry. When compared to other state investment programs over similar time spans, Maryland remains impressive. Setting universal utilization MBE goals for investment brokerage and management services, similar to other current procurement categories, supports a positive long-term agenda.

Overview

In 2008, the Maryland General Assembly passed Senate Bill 606 / House Bill 1277 – *State Government – Brokerage and Investment Services – Use of Minority Business Enterprises*, codified under Chapter 600. The legislation requires the following:

“the State Treasurer, the Maryland Automobile Insurance Fund, the Injured Workers’ Insurance Fund, and State Retirement and Pension System to attempt to use minority business enterprises (MBE) to the greatest extent feasible to provide brokerage and investment management services. The four entities’ use of MBEs must be consistent with MBE purchasing standards in current law and with their respective fiduciary responsibilities.”⁷

In addition, the bill required the Governor’s Office of Minority Affairs (GOMA) to work with the four entities “to develop guidelines to implement the bill’s provisions and to submit annual reports” to the General Assembly documenting the progress.

This is the State’s second annual utilization report and it encapsulates the inclusionary efforts made by the State Treasurer, the Maryland Automobile Insurance Fund, the Injured Workers’ Insurance Fund, and the State Retirement and Pension System during Fiscal Year 2010 (July 1, 2009 to June 30, 2010). The data presented is cumulative in many respects as it captures and compares data spanning from 2006 to 2010. The purpose of this report is to address two primary objectives: 1) to report the actions taken by the four entities to increase MBE investment brokerage and management services and, 2) to provide a conceptual framework for analysis in order to determine the level of progress made by the State of Maryland in regards to the Senate Bill 606 / House Bill 1277 legislation. In addition to these primary objectives, the State’s intent is to increase the transparency of government procurement activity and access to opportunities within the financial services arena.

Utilization Analysis

The State Treasurer’s Office (State Treasurer)

Background

The State Treasurer’s Office is the procurement control agency for all banking, financial, and insurance services contracted by State agencies. The State Treasurer is responsible for investing the unexpected or surplus funds over which it has custody in low-risk investment instruments such as treasury bills, repurchase agreements, commercial paper, and money market funds. As of June 30, 2010, the State Treasurer’s investment portfolio totaled \$5.1 billion.

⁷ Department of Legislative Service Senate Bill 606 / House Bill 1277 (2008) State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises

Every year the State Treasurer reexamines and signs the investment policy for the agency to determine the primary objectives for investment activities and the security type diversification of the investment portfolio. All investment management decisions are handled in house by its Director of Investment, within the Investment Division. The Investment Division primarily invests the cash balances that are temporarily idle between the time revenue is collected and the time budgeted amounts are disbursed. The State Treasurer does not utilize any outside management consultants or investment advisors for its decision making. The Investment Division is responsible for a number of longer-term investment activities associated with the purchase of 20-year development easements on agricultural land and the payment of lottery prizes over 19-year periods. The Investment Division also manages the investment of General Obligation bond proceeds and also directs the short-term and long-term investment of a number of trustee accounts under State agency revenue bond indentures.

Interest earnings on investments under the stewardship of the State Treasurer accrue to the General Fund unless State law or regulation directs that the interest should accrue to a specific fund. During the 1990 session, the General Assembly enacted legislation, sponsored by the Treasurer's Office, to allow all operating funds invested by the Treasurer to be invested in a common pool. Interest earned from this pool is allocated to various State agencies and to the General Fund on a pro-rata basis. In 2010, this legislation was updated to recognize the fact that many of the individual funds were supported by the General Fund.

Under State law, investments by the State Treasurer's Office are limited to secured bank accounts, full faith and credit obligations of the federal government, obligations of certain federal agencies or instrumentalities, repurchase agreements collateralized by those securities, certain money market mutual funds, and limited amounts of commercial paper. United States Government Agency investment securities are procured completely through approved brokerage firms. To be approved, a firm must be a primary dealer reporting to the Federal Reserve or a registered member of the New York Stock Exchange, or file financial statements exhibiting financial resources considered adequate by the investment division and approved by the Treasurer, and provide competitive bids to the Investment Division on a regular basis.

MBE Utilization

The State Treasurer's fiduciary responsibility to Maryland residents requires that it scrupulously seek the best prices for all investments, but it also seeks to provide opportunities for local, regional, and minority firms to bid on a portion of the State's investable funds. As part of its policies, the Treasurer operates from a pre-approved list of brokerage firms comprised of primary and non-primary dealers⁸. Inclusion on the list grants the privilege of submitting bids and/or offers but does not guarantee a transaction/contract. One of the requirements for investment brokers to be eligible to do business with the State Treasurer, is that the firms must have a minimum net capitalization of \$25 million or more in order to have the adequate capital to fulfill the State Treasurer's commitments.

As of June 30, 2010, the total of all portfolios under active management of the State Treasurer was \$5.1 billion. The table below displays the portfolio composition of the State Treasurer. Within the State Treasurer's portfolio, roughly 54% represented securities with U.S. Government Agencies, 39% in Repurchase Agreements, 5% in other investments, and .02% in U.S. Treasuries.

⁸ A primary dealer is a designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria. Among the criteria are capital requirements and meaningful participation in Treasury auctions. Non-primary dealers are all other firms not considered primary dealers.

State Treasurer Portfolio Composition as of June 30, 2010

Investment Type	Dollar Amount(\$M)	Percentage (%)
Repurchase Agreements	\$2,042.8	39.97%
U.S. Treasuries	\$.8	.02%
U.S. Government Agencies	\$2,788.8	54.56%
Other Investments	\$278.6	5.45%
Total Portfolio	\$5,111.0	100.00%

As is typical with a portfolio containing a large number of securities, the State engages in a securities lending program. In this program, the State contracts with a third party securities lender that arranges to have specific securities in the portfolio loaned to investment brokers who need those securities for a short period of time. In return for borrowing security, the investment broker posts cash collateral equal to 102% of the market value of the borrowed security. The securities lender invests the cash collateral for the period of the loan. At maturity, the State securities are returned and the interest earned is allocated between the State and the securities lender.

For this report, focus is placed on the utilization of MBE investment brokers in the non-primary space. It is carefully noted that anytime this report references “MBE brokers” or “MBE investment brokers,” it is referring to non-primary investment brokers who are MBEs. For the past two years, the State Treasurer has achieved double digit percentages, 10.3% in 2010 and 16.7% in 2009, with asset brokered by MBEs. Progressively, over the five-year span from 2006-2010, the State Treasurer has significantly increased the total of MBE brokers utilized. In 2006, (1) MBE investment broker was utilized and this year (14) MBE investment brokers were utilized. Of the total \$5.1 billion brokered, \$527.3 million dollars were brokered with MBE firms⁹.

State Treasurer Assets Brokered by MBE firms from 2006-2010

	2006	2007	2008	2009	2010
Total Assets Brokered (\$M)	\$1,101.9	\$5,269.7	\$8,592.0	\$6,417.7	\$5,111.3
Assets Brokered by MBEs (\$M)	\$24.8	\$616.8	\$464.7	\$1,070.0	\$527.3
Percentage (%)	2.3%	11.7%	5.4%	16.7%	10.3%

MBE Brokers Utilized by State Treasurer from 2006-2010

	2006	2007	2008	2009	2010
Total Non-primary Brokers	4	10	21	25	37
Total Non-primary MBE Brokers	1	2	10	14	14
Percentage (%)	25.0%	20.0%	47.6%	56.0%	37.8%

⁹ The reporting of assets brokered is not a representation of the commissions made by MBE investment brokers.

2010 List of MBE Brokers Utilized by State Treasurer

1	Blaylock Robert Van Securities	8	MR Beal
2	De La Rosa & Co	9	Quoin Capital
3	Finacorp Securities	10	Rice Financial Products Co
4	FRS Securities	11	SBK Brooks
5	Greentree Brokerage Services	12	Utendahl Capital Partners
6	GRW Capital Corp	13	Williams Capital Group
7	Loop Capital Markets	14	Wm Smith & Co

Over this past year, the agency has remained steadfast in its MBE outreach. The entity reports that it continues to produce marketing packages, join relevant organizations, and speaks at national conferences. The State Treasurer has also compiled a MBE broker list and shared it with other states and municipalities of comparable size in an effort to increase MBE broker visibility in the marketplace. Currently, all the necessary documents for inclusion on the approved broker list are on the State Treasurer’s website. Efforts have been made by the investment staff to respond to all inquiries regarding potential broker opportunities. In many cases, most firms who have requested a meeting have received a meeting with staff for further explanation on policies and procedures. All cold callers are instructed to use the website where the procedures and forms necessary to apply for the approved broker list are immediately available.

Additional outreach includes efforts with the National Association of Securities Professionals, the Association of Financial Professionals, the Government Investment Officers Association, the Government Finance Officers Association, the National Association of State Treasurers and the National Association of Auditors, Comptrollers and Treasurers. All of these efforts have assisted the agency in creating an accessible and transparent environment for MBE brokerage activity.

Maryland Automobile Insurance Fund (MAIF)

Background

MAIF is an independent State agency that was established in 1972 to provide automobile liability insurance to Maryland residents who are unable to obtain coverage in the private insurance market. Its revenues come entirely from insurance premiums and investment income. As of June 30, 2010, MAIF’s investment portfolio had assets of approximately \$299.0 million, of which roughly 75% are invested in fixed income and 25% are in equities.

The MAIF Financial Management Committee determines the core investment decision making process at the agency. The Committee is comprised of the Executive Director and two MAIF board members and it is complemented by a single outside Investment Advisor, Allied Consulting Group. According to MAIF, the consultant is fully aware of its role as a full partner in MAIF’s drive towards more MBE investment managers. On an ongoing basis, the Investment Advisor attends all MAIF Financial Management Committee meetings, prepares monthly and quarterly portfolio performance, and makes recommendations regarding the retention of investment managers.

When MAIF is choosing new investment managers, its staff and the Investment Advisor prepares the request for proposals (RFPs) which are posted on eMaryland Marketplace¹⁰. The preliminary screening is completed by the Advisor who presents its findings to the Financial Management Committee to determine which investment managers will be interviewed. The Financial Management Committee has the ultimate responsibility for deciding which firms are chosen.

To effectively manage the acceptable level of investment risk, MAIF engages multiple institutional asset managers who possess specialized skills in each asset class. MAIF believes that hiring managers with specialized skills sets provide “best-in-class” trading. While MAIF’s contracts do not allow it to select the brokers used by these investment managers, MAIF has informed its managers of the importance of working with MBE investment brokers. MAIF provides information to the MBE broker community about its managers, and refers them directly to the hired investment managers. MAIF’s policy is to make sure that all procurement opportunities are fostered in an inclusive environment representative of all the potentially qualified firms in order for it to receive the best possible returns on investments.

MBE Utilization

On June 30, 2010 MAIF’s investment portfolio was \$299.0 million. The table below displays the investment portfolio composition of MAIF. MAIF’s investment portfolio asset classes consist of Fixed Income, Large Cap, SMID (small-and-mid) Cap, Micro Cap, Alternatives, and International. Of the six available asset classes within MAIF’s portfolio, MBEs were present in one, Fixed Income. Of the \$220.2 million allocated for fixed income, MBEs represented 19.0% managing \$42.0 million of fixed income assets.

MAIF Portfolio Composition at June 30, 2010¹¹

Asset Class	Mkt Value(\$M)	Actual Allocation (%)	Strategic Allocation (%)	MBE Emerging (\$M)	MBE Emerged (\$M)
Fixed Income	\$220.2	73.6%	74.6%	\$42.0	-
Large Cap	\$40.4	13.5%	13.9%	-	-
SMID Cap	\$5.4	1.8%	1.7%	-	-
Micro Cap	\$4.1	1.4%	1.7%	-	-
Alternatives	\$19.1	6.4%	4.5%	-	-
International	\$7.5	2.5%	2.7%	-	-
Cash & Liquidating Fund	\$2.3	0.8%	0.9%	-	-
Total	\$299.0	100.0%	100.0%	\$42.0	-

This report draws comparisons to the total assets managed by MBE investment managers in respect to the total assets managed by all managers to illustrate a utilization framework for MBE firms. The initiative emphasized through Senate 606/House 1277 should theoretically result in annual upticks in MBE investment manager utilization rates (percentages). The three tables below illustrate the amount of MAIF assets managed from 2006-2010 in respect to MBEs, the number of MBE investment managers utilized from 2006-2010, and the 2010 list of MBE investment managers utilized by MAIF.

¹⁰ Maryland’s electronic gateway to bidding opportunities for commodity, construction, architect and engineering, facility maintenance, human resources, information technology and related services.

¹¹ Investment firms with more than \$2.0 billion in assets under management are considered emerged managers. Investment firms with below \$2.0 billion in assets under management are considered emerging managers.

MAIF Assets Managed by MBE firms from 2006-2010

	2006	2007	2008	2009	2010
Total Assets (\$M)	\$391.3	\$390.4	\$354.2	\$290.6	\$299.0
Assets Managed by MBEs (\$M)	-	-	-	\$7.3	\$42.0
Percentage (%)	-	-	-	2.5%	14.0%

MBE Investment Managers Utilized by MAIF from 2006-2010

	2006	2007	2008	2009	2010
MBE Investment Managers	-	-	-	1	2

2010 MBE Investment Managers Utilized by MAIF

Manager Name		AUM (\$M)	Investment Advisory Fee(\$M)	Asset Class	Classification
The Swarthmore Group		34.0	0.040	Fixed Income	African American
Xavier Capital Mgmt		8.0	0.020	Fixed Income	African American
2	Subtotal	42.0	0.060		
Total Emerging Managers		42.0	0.060		
Total		\$42.0	\$0.060		

As previously mentioned, this year \$42.0 million of MAIF's total \$299.0 million investment portfolio was managed by MBEs. This translates into a 14.0% MBE investment manager utilization rate. Last year, \$7.3 million of the total \$290.6 million MAIF investment portfolio was managed by one MBE firm, translating into a 2.5% MBE investment manager utilization rate. The nearly six-fold increase in assets under MBE management from 2009 to 2010 demonstrates MAIF's firm embrace of the initiative. The annual growth is a direct result of the strong guidance by GOMA and the total support of MAIF personnel. From 2008-2010, MAIF transitioned from utilizing (0) MBEs in 2006 to (2) MBEs in 2010. In 2009, Xavier Capital Management was the first MBE investment manager to be retained by MAIF. This year two MBEs, the Swarthmore Group and Xavier Capital Management were retained by MAIF to provide fixed income investment products.

MAIF's success in increasing the amount of assets under the management of MBE firms has undoubtedly been effected by its outreach efforts, which stems from an overall philosophy of providing MBEs with meaningful opportunities. The following statement, provided by MAIF's Executive Director, Kent Krabbe, captures the philosophy of the agency:

"Each of MAIF's MBE investment managers are direct hires. They are not the result of an 'emerging manager of a manager program.' Under these programs the emerging or MBE manager works for an existing manager, and not directly with the client. These programs, while often a stepping stone, are not as

valuable to the minority firm as direct engagements. A direct manager receives the full investment fee. In the marketplace, as noted by Glen E. Becker, President of The Swarthmore Group, a direct hire indicates to other potential clients that a MBE can compete on its own. Mr. Becker's testimony captures the added value of the legislative initiative. In each case the direct MAIF retention provided benefits to the firm in addition to the fees generated and the money managed. In essence, it opened the door to other business opportunities.

MAIF is very proud of the fact that it was the first state entity to retain the services of Xavier Capital Management. Since then, it has been retained as manager for IWIF and SRPS. According to Lorenzo Newsome, Jr., President and Chief Investment Officer of Xavier, 'MAIF's hiring of Xavier Capital was a major turning point for us... It is because of [MAIF's] early belief in our firm that we were recently awarded an account with Eli Lilly & Company.' In Xavier's case, it has been able to smartly leverage the MAIF relationship to build further relationships and in turn gain further business.

The success of the legislative initiative cannot be measured solely in assets under management by those two firms. Among the ripples in the pond is the value of the selection process on the overall pool of candidates. MAIF has engaged in aggressive outreach, numerous meetings, and network opportunities. The outcome of these efforts has ultimately sharpened the ability of all firms engaged within the bidding process."

Injured Workers Insurance Fund (IWIF)

Background

IWIF is an independent agency that was established in 1914 to provide workers compensation insurance to Maryland-based businesses that do not wish, or are not allowed, to self-insure through private insurance vehicles. IWIF offers a fully integrated safety and benefits delivery system that provides safety information and quality medical care with an early return-to-work objective. The system includes several components designed to work in concert with policy holders and their injured employees. Financing for IWIF is derived solely from its premium and investment income. IWIF incorporates a hybrid approach to managing its investment portfolio, with roughly 80% managed internally and 20% managed externally. As of June 30, 2010, IWIF's investment portfolio totaled \$1.6 billion.

IWIF is governed by a nine member Board of Directors, all appointed by the Governor to five-year terms. The President and Chief Executive Officer oversees the day-to-day operations while the Executive Vice President and Chief Investment Officer (CIO) manages IWIF's investment portfolio. The IWIF Board of Directors approves the Investment Policy Statement and selects the managers based on recommendations from an Investment Advisor, Asset Strategy Consultants.

IWIF incorporates a hybrid approach to managing its investment portfolio, with approximately 80% managed internally and 20% managed externally. Investment decision making in regards to the Investment Policy Statement and the selection of external investment managers are approved by the Board of Directors. According to IWIF, Asset Strategy Consultants complements this process by recommending asset allocation, appropriate investment policies,

hiring and firing of asset managers¹², producing quarterly reports to the Board on the performance of all managers, and any other projects requested by the Board or the CIO.

MBE Utilization

The table below displays the investment portfolio of IWIF. IWIF's investment portfolio asset classes consist of Domestic SMID Cap, Core Fixed Income, Corporate Oriented, and Convertible Bonds. Of the four available asset classes within IWIF's portfolio, MBEs were present in two, Domestic SMID Cap and Core Fixed Income. IWIF's investment portfolio is comprised of roughly 3% domestic equities and 97% domestic fixed income.

IWIF Portfolio Composition as of June 30, 2010

Asset Class	Mkt Value (\$M)	Actual Allocation (%)	Strategic Allocation (%)	MBE Emerging (\$M)	MBE Emerged (\$M)
Domestic SMID Equity	45.8	-	-	17.3	28.5
Total Domestic Equity	\$45.8	2.8%	3.0%	\$17.3	\$28.5
Core Fixed Income	1,135.7	69.1	72.0	46.6	-
Corp. Oriented	290.1	17.6	15.0	-	-
Convertible Bonds	172.1	10.5	10.0	-	-
Total Domestic Fixed Income	\$1,597.9	97.2%	97.0%	\$46.6	-
Total	\$1,643.7	100.0%	100.0%	\$63.9	\$28.5

The three tables below illustrate the total of IWIF assets managed from 2006-2010 in respect to MBEs, the number of MBEs utilized from 2006-2010, and the 2010 list of MBEs utilized by IWIF. This year \$92.4 million of the total \$1.6 billion IWIF investment portfolio was managed by MBEs. This translates into a 5.6% investment manager utilization rate. Last year, in 2009 \$85.0 million of the total \$1.7 billion IWIF investment portfolio was managed by MBEs for a 5.0% investment manager utilization rate.

IWIF Assets Managed by MBE firms from 2006-2010

	2006	2007	2008	2009	2010
Total Assets (\$M)	\$1,513.0	\$1,637.0	\$1,679.0	\$1,700.0	\$1,643.7
Assets Managed by MBEs (\$M)	-	-	\$30.0	\$85.0	\$92.4
Percentage (%)	-	-	1.8%	5.0%	5.6%

MBE Investment Managers Utilized by IWIF from 2006-2010

	2006	2007	2008	2009	2010
MBE Investment Managers	-	-	1	4	4

¹² In this process, the Investment Advisor only provides recommendations and the Board of Directors makes the final decision.

2010 MBE Investment Managers Utilized by IWIF

Manager Name	AUM (\$M)	Investment Advisory Fee (\$M)	Asset Class	Classification
Black Knight Asset Mgmt	23.0	0.032	Corp-Oriented	African American
Credo Capital Mgmt	17.3	0.068	Domestic Small/Mid	African American
Xavier Capital Mgmt	23.6	0.033	Corp-Oriented	African American
Total Emerging Managers	63.9	0.133		
Brown Capital Mgmt	28.5	0.265	Domestic Small/Mid	African American
Total Emerged Manager	28.5	0.265		
Total Emerging and Emerged Managers	\$92.4	\$0.398		

IWIF has positively responded to the Senate Bill 606 / House Bill 1277 legislation. Since 2008, MBE assets under management have more than tripled, from \$30 million in 2008 to \$92.4 in 2010. Likewise, IWIF initially utilized (1) MBE in 2008 and in 2010 it utilized (4) MBE investment managers. In 2008, the first MBE investment manager retained was Maryland-based, Brown Capital Management. The next year, IWIF expanded and added three additional investment firms, Black Knight Asset Management, Credo Capital Management, and Xavier Capital Management. This year, IWIF retained all four investment firms again.

IWIF's efforts in this initiative have provided a two-fold benefit for the State of Maryland, as three out of the four MBE investment management firms are headquartered in the State of Maryland (Brown, Credo, and Xavier). During the last Request for Proposals process seeking emerging managers, IWIF worked closely with its Investment Advisor, the Legislative Black Caucus of Maryland, and GOMA to widely circulate the information in addition to posting it on its website. As a result of IWIF's outreach, over thirty responses were received for the three potential manager positions.

State Retirement and Pension System (SRPS)

Background

SRPS administers death, disability, and retirement benefits on behalf of more than 350,000 members. Individual membership includes active and former State employees, teachers, State police, judges, law enforcement officers, correctional officers, and legislators. SRPS services multiple employers and has over 100 local governmental agencies voluntarily participating. SRPS' assets come from the State of Maryland.

SRPS is guided by a fourteen member Board of Trustees and is responsible for administering the State's retirement and pension system. Trustees act as fiduciaries, which require them to "invest assets in a prudent fashion and solely for the benefit of members and beneficiaries". The Trustees primary role and focus is to provide general direction and overall investment policy for the SRPS while monitoring implementation. SRPS' current policies regarding the utilization of MBEs are set forth in the entity's Investment Policy Manual. The Executive Director is responsible for the operating performance of the agency, except for the investment performance. The Chief Investment Officer (CIO) is accountable for the investment performance and the effective and efficient management of the operations of the Investment

Division. The CIO determines the hiring and firing of all external investment managers of the SRPS investment portfolio. The CIO is supported by the Investment Division staff and specialty investment consultants in private equity and real estate.

The Trustees for some time have encouraged the inclusion of MBEs. This is demonstrated through the implementation of the Terra Maria Program. Since 2008, the Terra Maria Program has been revised and undergone major expansion and transformation. The program has seven program managers, each of whom has a responsibility for monitoring ten or more investment managers. Investment transactions with external investment managers create investment brokerage opportunities. MBE investment brokers may provide services to SRPS thru direct executions or third-party step-outs¹³.

The seven program managers referred to above are under contract with SRPS. They are responsible for recommending investment managers to participate in the Terra Maria Program who they believe have the ability to generate alpha relative to their assigned benchmarks¹⁴. The program managers essentially represent an extension of the in-house investment staff. In the SRPS governance scheme, there are two different types of such consultants.

- *General investment consultants* – In light of the primary function served by SRPS’ general investment consultant – that is, to provide advice to the Board of Trustees regarding the Retirement System’s investment program – the Board of Trustees makes the final hiring decision for this consultant based on a competitive procurement process. On a day-to-day basis, the SRPS staff administers the contract with the general investment consultant, and obtains information and assistance from the general investment consultant.
- *Specialty investment consultants* – In keeping with the State law granting the CIO responsibility for hiring and firing external investment managers in all asset classes, the CIO is now authorized to select, hire and oversee the work of specialty investment consultants based on a competitive procurement process. As noted above, two specialty investment consultants currently assist the Investment Division in identifying potential investments in the private equity and real estate asset classes.

MBE Utilization

On June 30, 2010 the total SRPS investment portfolio was \$31.8 billion. SRPS’ assets are divided into nine asset classes, US Equity, Int. Equity, Global Equity, Fixed Income, Credit Opportunity, Private Equity, Real Estate, Real Return, and Absolute Return. MBEs were represented in seven of the assets classes, except for Private Equity and Real Estate. Within SRPS’ investment portfolio, the largest asset allocations are Public Equity with 51.2%, Fixed Income with 19.0% and Real Return with 10.5%. The table below illustrates SRPS’ investment portfolio composition by assets classes.

¹³ Step-outs refer to brokerage transactions involving three brokers. It occurs when a brokerage firm executes an order, but gives the other brokerage firm the credit and some of the commission for the trade.

¹⁴ Alpha refers to the excess return in relation to the threshold or benchmark index - for example if a portfolio earns 10% return and its correlating benchmark is 5%, then the alpha is 5%.

SRPS Portfolio Composition as of June 30, 2010

Asset Class	Mkt Value (\$M)	Actual Allocation (%)	Strategic Allocation (%)	Emerging (\$M)	Emerged (\$M)
US Equity	6,354.2	20.0	-	820.7	87.3
Int. Equity	6,938.0	21.8	-	218.8	676.8
Global Equity	2,997.7	9.4	-	-	184.4
Total Public Equity	\$16,289.9	51.2%	36.0%	\$1,039.5	\$948.5
Fixed Income	\$6,052.3	19.0%	15.0%	\$132.3	\$21.5
Credit Opportunity	\$1,078.3	3.4%	10.0%	\$60.7	\$329.4
Private Equity	\$1,009.7	3.2%	10.0%	-	-
Real Estate	\$2,016.6	6.3%	10.0%	-	-
Real Return	\$3,332.2	10.5%	10.0%	\$16.1	\$63.1
Absolute Return	\$1,414.9	4.4%	7.0%	-	\$295.3
Cash	\$646.9	2.0%	2.0%	-	-
Total	\$31,840.8	100.0%	100.0%	\$1,248.6	\$1,657.8

The assets managed by MBEs table illustrate SRPS' commitment to utilizing MBEs. From 2006-2010, the total of MBE investment managers utilized have increased from 2 in 2006 to 45 in 2010. Last year, MBEs managed 4.4% of SRPS's investment portfolio. This year, SRPS had a 9.1% MBE utilization rate. This year-over-year uptick was attributed to SRPS hiring additional MBEs through separate mandates in Absolute Return, Public Equity, and Credit asset classes. This year, MBEs managed \$2.9 billion of SRPS assets. Last year, MBEs managed \$1.2 billion of SRPS assets. This translates into roughly a 130% increase in assets being managed by MBEs. The three tables below illustrate the amount of SRPS assets managed from 2006-2010 in respect to MBEs, the number of MBEs utilized from 2006-2010, and the 2010 list of MBEs utilized by SRPS.

SRPS Assets Managed by MBE firms from 2006-2010

	2006	2007	2008	2009	2010
Total Assets (\$M)	\$34,377.7	\$39,442.2	\$36,595.7	\$28,530.9	\$31,840.9
Assets Managed by MBEs (\$M)	\$1,230.2	\$1,614.6	\$326.5	\$1,258.8	\$2,906.4
Percentage (%)	3.6%	4.1%	0.9%	4.4%	9.1%

MBE Investment Managers Utilized by SRPS from 2006-2010

	2006	2007	2008	2009	2010
MBE Investment Managers	2	2	7	45	57

2010 MBE Investment Managers Utilized by SRPS

MBE Managers		AUM (\$M)	Investment Advisory Fee(\$M)	Asset Class	Classification
Emerging MBE Managers					
Attucks Asset Mgmt*	339.5**		0.634	Fund-of-Fund	Asian American
Charter Financial Group		14.7	0.051	US Equity	Female
The Edgar Lomax Co		18.7	0.036	US Equity	African American
GW Capital Inc.		24.3	0.204	US Equity	Asian American
Hanseatic Mgmt Services		18.9	0.065	US Equity	Female
Holt-Smith Advisors		18.7	0.035	US Equity	Female
Mar Vista Investment Partners		20.0	0.072	US Equity	African American
Opus Capital Mgmt		21.7	0.108	US Equity	African American
Zevenbergen Capital		26.5	0.089	US Equity	Female
Hughes Capital Mgmt		15.7	0.019	Fixed Income	African American
Xavier Capital Mgmt		17.8	0.042	Credit	African American
		197.0	1.355		
Bivium Capital Partners*	256.7**		0.363	Fund-of-Fund	African American
Phocas Financial Corp		14.5	0.140	US Equity	Asian American
Cheswold Lane Asset Mgmt		29.4	0.208	Int Equity	Female
		43.9	0.711		
Capital Prospects*	300.9**		0.340	Fund-of-Fund	Female
AH Lisanti Capital Growth		26.4	0.110	US Equity	Female
Hanseatic Mgmt Services		24.7	0.089	US Equity	Female
Montrose Asset Mgmt		24.0	0.096	US Equity	Asian American
Paradigm Asset Mgmt		24.1	0.087	US Equity	African American
Profit Investment Mgmt		26.5	0.139	US Equity	African American
Redwood Investments		25.3	0.117	US Equity	Female
		151.0	0.978		
FIS Group*	276.3**		0.618	Fund-of-Fund	African American
Boston Common Asset		21.2	0.028	US Equity	Asian American
Channing Capital Mgmt		13.4	0.068	US Equity	African American
Denali Advisors		24.2	0.057	US Equity	Native American
Ativo Capital Mgmt		27.8	0.126	Int Equity	Hispanic American
Victoria 1522 Investments		25.8	0.136	Int Equity	Asian American
		112.4	1.033		
Leading Edge Investment Advisors*	276.0**		0.613	Fund-of-Fund	Asian American
Lombardia Capital Partners		13.3	0.039	US Equity	Hispanic American
New Century Investment Mgmt		16.3	0.470	US Equity	Female
NMF Asset Mgmt		13.1	0.091	US Equity	Female
Herdon Capital Mgmt		28.5	0.140	Int Equity	African American
Nicholas Investment Partners		42.9	0.048	Credit	Female
		114.1	1.401		

MBE Managers		AUM (\$M)	Investment Advisory Fee(\$M)	Asset Class	Classification
Northern Trust Global Advisors	539.6**		0.780	Fund-of-Fund	--
Credo Capital Mgmt		25.9	0.095	US Equity	African American
Herdon Capital Mgmt		15.7	0.043	US Equity	Female
Lombardia Capital Partners		42.5	0.174	US Equity	Hispanic American
Palisades Investment Partners		42.5	0.041	US Equity	African American
Profit Investment Mgmt		44.8	0.122	US Equity	African American
Sky Investment Counsel		18.8	0.129	Int Equity	Asian American
New Century Advisors		16.1	0.066	Real Return	Female
		206.3	1.450		
Progress Investment Mgmt*	560.4**		0.920	Fund-of-Fund	African American
Cardinal Capital Mgmt		27.3	0.234	US Equity	Female
Channing Capital Mgmt		27.0	0.005	US Equity	African American
Credo Capital Mgmt		40.0	0.153	US Equity	African American
Decatur Capital Mgmt		16.8	0.053	US Equity	African American
Denali Advisors		42.6	0.102	US Equity	Native American
GW Capital		30.9	0.121	US Equity	Asian American
Lombardi Capital Partners		34.2	0.096	US Equity	Hispanic American
Boston Common Asset Mgmt		17.3	0.085	Int Equity	Asian American
John HSU Capital Group		39.8	0.155	Int Equity	Asian American
John HSU Capital/Sycee Capital		11.3	0.115	Int Equity	Asian American
San Juan Asset Mgmt		20.1	0.007	Int Equity	Hispanic American
Ambassador Capital Mgmt		18.6	0.036	Fixed Income	African American
New Century Advisors		16.6	0.048	Fixed Income	Female
Pugh Capital Mgmt		81.4	0.104	Fixed Income	African American
		423.9	2.234		
Fees for mandates closed as of 6/30/10		0.0	0.193		
Total Emerging MBE Managers		\$1,248.6	\$9.355		
Emerged MBE Managers					
Attucks Asset Mgmt*					
Globeflex Capital		18.4	0.102	Int Equity	Female
LM Capital Group		21.5	0.520	Fixed Income	Hispanic American
Advent Capital Mgmt		19.4	0.057	Credit	African American
		59.3	0.679		
Bivium Capital*					
Oakbrook Investments		16.2	0.049	US Equity	Female
Piedmont Investment Advisors		11.5	0.087	US Equity	African American
		27.7	0.136		
FIS Group*					
Oakbrook Investments		20.9	0.106	US Equity	Female

MBE Managers		AUM (\$M)	Investment Advisory Fee(\$M)	Asset Class	Classification
Leading Edge Investment Advisors*					
Sit Investment Associates		18.0	0.066	Int Equity	Asian American
Westwood Global Investments		42.9	0.031	Int Equity	Female
Penn Capital Mgmt		35.0	0.163	Credit	Female
		95.9	0.260		
Progress Investment Management*					
Ariel Investments		38.7	0.134	US Equity	African American
	Subtotal	242.5	1.315		
Separate Mandate – Absolute Return~					
Rock Creek Potomac Fund		295.3	0.678	Absolute Return	Female
	Subtotal	295.3	0.678		
Separate Mandate – Public Equity					
Brown Capital Mgmt		178.3	0.649	Int Equity	African American
Earnest Partners		296.9	1.329	Int Equity	African American
Globeflex Capital		122.3	0.912	Int Equity	Female
Brown Capital Mgmt (includes closed mandates)		184.4	0.837	Global Equity	African American
	Subtotal	781.9	3.727		
Separate Mandate – Master Ltd Partnership					
Tortoise Capital		63.1	0.500	Master Ltd Partnership	Native American
	Subtotal	63.1	0.500		
Separate Mandate – Credit Strategies^					
Advent Legacy Securities / Wellington Asset Mgmt		75.0	0.022	Credit Strategies	African American
Blaylock Robert Van / Marathon Asset Mgmt		50.0	0.040	Credit Strategies	African American
Castle Oak Securities & Park Madison Partners / Angelo Gordon		50.0	0.211	Credit Strategies	African American
RLJ / Western Asset Mgmt		100.0	0.638	Credit Strategies	African American
	Subtotal	275.0	0.911		
Total Emerged MBE Managers		\$1,657.8	\$7.131		
Total MBE Managers		\$2,906.4	\$16.486		

Chart Footnotes:

*Emerging Minority and Female-owned Program Managers

**Total Program Manager AUM including majority managers

^The managers listed under “Credit Strategies” are joint ventures between large investment managers and minority business enterprises. Some of the MBEs listed in this category may be providing services other than investment management.

Note: This schedule lists the total number of portfolios in the System’s emerging and emerged programs. Some investment managers are managing more than one mandate in the program.

As previously mentioned, there were 57 MBE investment managers utilized by SPRS. Some MBE investment managers were represented under multiple SRPS program managers. For purposes of this report, MBE firms represented in multiple categories are counted as the utilization of one MBE firm. For example, Hanseatic Management Services was represented under the following two SRPS program managers, Attucks Asset Management and Capital Prospects. This report counts this as one MBE investment manager utilized.

SRPS documents MBE investment broker progress through commissions paid. The total amount of commissions paid to MBE investment brokers have increased from 2006 to 2010. This year, MBEs represented \$1.6 million of the total \$14.0 million in brokerage service commissions paid by SRPS. This total of commissions paid to MBE investment brokers is a combination of commissions paid from direct executions and step-outs¹⁵. Of the \$1.6 million commissions paid for the year, roughly \$1.4 million was from direct broker commissions and \$0.2 million was from step-outs. This year, SRPS utilized 35 MBE investment brokers, roughly representing 11.5% of the total brokerage commission paid by SRPS. Last year, MBEs represented \$0.8 million of the total \$9.4 million in brokerage service commissions paid by SRPS. The following three tables illustrate the commissions paid to investment brokers in respect to MBEs from 2006-2010, the 2010 list of SRPS MBE investment brokers utilized from direct executions, and the 2010 listing of step-out commissions paid to MBEs.

Commissions Paid to Investment Brokers by SRPS from 2006-2010

	2006	2007	2008	2009	2010
Total Brokerage Commission Paid (\$000)	\$8,467.0	\$8,503.0	\$9,619.0	\$9,498.8	\$14,068.5
Brokerage Commissions Paid to MBEs (\$000)	\$960.9	\$1,175.0	\$1,017.3	\$808.3	\$1,611.2
Percentage (%)	11.3%	13.8%	10.6%	8.5%	11.5%

2010 SRPS MBE Investment Brokers (Direct Executions)

	MBE Investment Brokers	Classification	Commissions (\$)
1	Blaylock Robert Van	African American	7,494.09
2	Bley Investment Group	Female	40.00
3	BOE Securities	African American	6,648.22
4	Cabrera Capital Markets	Hispanic American	346,483.88
5	Castle Oak Securities	African American	4,610.64
6	Cheevers & Co	Female	70,073.47
7	CL King & Associates	Female	10,545.40
8	Divine Capital Markets	Female	17,086.45
9	Drexel Hamilton	Service Disable Veteran	537.50
10	Gardner Rich & Co	African American	40,311.63
11	Girard Securities	Female	270.00
12	Greentree Brokerage Services	African American	35,086.02
13	Guzman & Co	Hispanic American	37,626.58
14	Jackson Securities	African American	8,581.71
15	Kaufman Brothers	Hispanic American	545.60
16	Loop Capital Markets	African American	272,410.88

¹⁵ Step-outs refer to when a brokerage firm executes an order but gives credit and some of the commission for the trade.

	MBE Investment Brokers	Classification	Commissions (\$)
17	M. Ramsey King securities	Female	107,486.64
18	Magna Securities Group	African American	151,879.55
19	Melvin Securities	African American	6,514.13
20	Mischler Financial Group	Disable Veteran	14,015.27
21	Montrose Securities	Asian American	3,340.00
22	MR Beal & Co	Female	113,362.93
23	Multi Trade Securities	Hispanic American	1,978.41
24	Muriel Siebert & Co	Female	3,839.00
25	North South Capital	African American	1,193.20
26	Pacific American Securities	African American	38,139.71
27	Penserra Securities	Hispanic American	6,012.08
28	Percival Partners	African American	80,729.67
29	Ramirez & Co	Hispanic American	1,030.00
30	Roberts & Ryan Investments	Disabled Veteran	4,892.00
31	SL Hare Capital	Disabled Veteran	292.00
32	Sturdivant & Co	African American	153.00
33	Toussaint Capital Partners	African American	432.00
34	Utendahl Capital Partners	African American	284.00
35	Williams Capital Group	African American	58,663.77
	Total		\$1,452,589.43

2010 Step-out Commissions Paid to MBE Investment Brokers

	Clearing Broker	Commissions
1	Bank of America/ Merrill Lynch	1,991.00
2	Benchmark Co	3,284.85
3	BWS Financial	50,961.69
4	Cantor Fitzgerald	1,123.00
5	Chicago Analytic	19,085.99
6	Citigroup	4,821.36
7	Collins Stewart	9,903.01
8	Credit Suisse	115.54
9	Direct Access Partners	7,433.58
10	East West Securities Co	763.00
11	First Honolulu Securities	140.00
12	FRS Securities	5,468.96
13	G Trade Services	37.88
14	Ivy Securities	1,626.00
15	Jefferies	452.00
16	LAM Securities Investment	1,868.00
17	Liquidnet	1,664.86
18	Morgan Stanley & Co	9,396.58
19	Pacific Crest Securities	2,667.00
20	PCS Dunbar	9,942.50
21	Pershing	4,287.00

	Clearing Broker	Commissions
22	Sanford C. Bernstein & Co	9,041.08
23	UBS Securities	11,665.19
24	Weeden & Co	597.00
25	William Smith & Co	265.00
	Total	\$158,602.12

In its efforts to comply with requirements of Senate Bill 606/ House Bill 1277, SRPS utilizes a number of outreach strategies, including the following:

- *Questionnaires* – A suite of questionnaires has been developed and posted on the SRPS website for use by all managers. These questionnaires have been designed to permit prospective managers to provide detailed information to staff of the Investment Division about their firm and investment products. SRPS Investment Division staff review every questionnaire submitted.
- *Meetings with Managers* –The staff of the Investment Division and the seven Program Managers (hired to serve as extensions of staff for the Terra Maria program) regularly meet with prospective managers.
- *Press Inquiries; Surveys; Other Requests for Information* –The Agency regularly receives and responds to an extensive array of inquiries regarding the Retirement System’s investment program, including (i) questions from trade and popular press, (ii) requests to participate in surveys regarding investment-related topics, and (iii) other requests for information.
- *Conferences / Education Programs* – Members of the Board of Trustees and staff of the Agency are, from time to time, asked to speak at investment conferences or other trustee education programs. Trustees and staff also participate in conferences and continuing education programs where information about the System’s investment program may be shared with others.

SRPS continually invites prospective external investment managers to review the suite of questionnaires that have been developed and posted on the agency’s website. The questionnaires have been designed to permit prospective managers to provide detailed information to the Investment Division staff. As part an ongoing effort to identify the most promising investment managers and innovative products for SRPS’ investment program, all of the consultants and the seven Program Managers in the Terra Maria Program are all strongly encouraged to consider smaller firms.

MBE Investment Brokers and Managers by Classification¹⁶

Throughout this report MBE investment managers have been categorized as either “emerging” or “emerged”. These two classifications determine the size of the firm in relation to assets

¹⁶ In this report, MBE investment brokers and managers were counted only once regardless of the number of contracts they received or the fact they may have been hired by multiple agencies.

under management. In essence, investment management firms with below two billion in assets under management are considered “emerging” and firms with two billion in assets under management and above are considered “emerged”. There are many positive and negative connotations in the marketplace pertaining to both of these terms. For this report, the terms “emerging” and “emerged” are merely means of categorizing firms by assets under management. This report shares the understanding that all the utilized investment managers by the State of Maryland are experienced top performers in the financial services industry. Below are three consolidated lists of the 2010 MBE investment brokers utilized and the 2010 emerging and emerged MBEs investment managers utilized.

2010 MBE Investment Brokers Utilized

<u>African American</u>	<u>Female</u>	<u>Hispanic American</u>	<u>Service Disabled Veteran</u>
Blaylock Robert Van Securities BOE Securities Castle Oak Securities FRS Securities Gardner Rich & Co Greentree Brokerage Services GRW Capital Corp Jackson Securities Loop Capital Markets Magna Securities Group Melvin Securities MR Beal North South Capital Pacific American Securities Percival Partners Quoin Capital Rice Financial Products Co SBK Brooks Sturdivant & Co Toussaint Capital Partners Utendahl Capital Partners Williams Capital Group Wm Smith & Co	Bley Investment Group Cheevers & Co CL King & Associates Divine Capital Markets Girard Securities M. Ramsey King Securities Muriel Siebert & Co	Cabrera Capital Markets De La Rosa & Co Finacorp Securities Guzman & Co Kaufman Brothers Multi Trade Securities Penserra Securities Ramirez & Co	Drexel Hamilton Mischler Financial Group Roberts & Ryan Investments SL Hare Capital
<u>Asian American</u> Montrose Securities			

2010 Emerging MBE Investment Managers Utilized

<u>African American</u>	<u>Female</u>	<u>Hispanic American</u>	<u>Native American</u>
Ambassador Capital Mgmt Bivium Capital Partners Black Knight Asset Mgmt Channing Capital Mgmt Credo Capital Mgmt Decatur Capital Mgmt Herdon Capital Mgmt Hughes Capital Mgmt Mar Vista Investment Partners Opus Capital Mgmt Palisades Investment Partners Paradigm Asset Mgmt Profit Investment Mgmt Pugh Capital Mgmt The Edgar Lomax Co The Swarthmore Group Xavier Capital Mgmt	AH Lisanti Capital Growth Capital Prospects Cardinal Capital Mgmt Charter Financial Group Cheswold Lane Asset Mgmt Hanseatic Mgmt Services Holt-Smith Advisors New Century Advisors New Century Investment Mgmt Nicholas Investment Partners NMF Asset Mgmt Redwood Investments Zevenbergen Capital	Ativo Capital Mgmt Lombardia Capital Partners San Juan Asset Mgmt	Denali Advisors
<u>Asian American</u> Attucks Asset Mgmt Boston Common Asset Mgmt GW Capital Inc John HSU Capital Group John HSU Capital/Sycee Capital Phocas Financial Group Montrose Asset Mgmt Sky Investment Counsel Victoria 1522 Investments			

2010 Emerged MBE Investment Managers Utilized

<u>African American</u>	<u>Female</u>	<u>Hispanic American</u>	<u>Native American</u>
Advent Capital Mgmt Ariel Investments Brown Capital Mgmt FIS Group Piedmont Investment Advisors Progress Investment Mgmt RLJ Equity Partners	Globeflex Capital Oak Brook Investments Penn Capital Mgmt Rock Creek Potomac Fund Westwood Global Investments	LM Capital Group	Tortoise Capital
<u>Asian American</u> Leading Edge Investment Advisors Sit Investment Associates			

There were (10) MBEs that were headquartered or had offices in Maryland – (3 MBE investment brokers) FRS Securities, Loop Capital Markets, and Percival Partners – (7 MBE investment managers) Brown Capital Management, Charter Financial Group, Credo Capital Management, New Century Advisors, Profit Investment Management, RLJ Equity Partners, and Xavier Capital Management.

Moving Forward

Despite GOMA's efforts, MBE investment broker information remains less transparent than investment manager data. Currently, concise investment broker data is not available from several state agencies. Moving forward, a primary recommendation would be to instill compliance investment policies to Senate Bill 606/House Bill 1277 in order develop clear guidelines for transparency.

Overall Maryland has made significant progress since 2008 towards increasing the utilization of MBE investment brokers and managers. When compared to other state investment programs over similar time spans, Maryland remains impressive. Setting universal utilization MBE goals for investment brokerage and management services, similar to other current procurement categories, supports a positive long-term agenda. GOMA will continue to advocate for the increase of MBE investment brokers and managers who offer quality, services, and safety comparable to other investment firms.

Governor O'Malley and Lt. Governor Brown continue to support and promote the inclusion of small and minority firms in all industry sectors. The State recognizes the strength of its diversity, and the contributions of small and minority businesses to the Maryland's economy. Small and minority firms are vital to helping to create jobs, save jobs, and expand opportunity, and the O'Malley-Brown Administration remains committed to strengthening their success.

About the Governor's Office of Minority Affairs (GOMA)

GOMA is one of the Governor's Coordinating Offices and was created to promote the growth and participation of women and minority business enterprises in the State's procurement process. GOMA provides oversight for Maryland's Minority Business Enterprise (MBE) Program and the Small Business Reserve Program. GOMA helps State Agencies make both programs work and helps minority and women-owned firms do business with the State.

About Maryland's Minority Business Enterprise (MBE) Program

- Legally mandated program established over 33 years ago by groundbreaking legislation as a means to assist minority and women-owned firms in gaining greater access to State government procurement and contracting opportunities.
- Requires State procurement agencies to structure procurements for maximum inclusion of MBEs towards attaining the statewide 25% participation goal.
- Has the highest MBE goal in the nation.
- Remains one of only a few programs that have a law in State statute.
- The only State that collects uniform reporting data including payments to MBEs.

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**GOVERNOR'S OFFICE OF
MINORITY AFFAIRS**