**Transition Management Services Request for Information**

This Transition Management Services Request for Proposal Questionnaire must be signed by an individual authorized to legally bind your Firm and it must be fully completed, meaning that each item below must be answered. Failure to do so will constitute an incomplete response, and your RFP response will not be considered. LABF reserves the right to inquire about your Firm’s response to this questionnaire and may require a revised signed version to be submitted to clarify a response. Further, if the Fund decides to retain your Firm’s services as a transition manager, your Firm will be required to enter into a written agreement incorporating your answers to Questionnaire and other statutory requirements as required by the Fund. Further, this Questionnaire may be attached as an exhibit to such written agreement. In the following, the terms “You”, “Firm,” refer to the entity that will act as transition manager for the awarded contract, regardless of the name used to refer to that entity.

**I. Firm**

1. Please provide the year your firm was established and give a brief history of your firm.
2. Please provide the organization’s name, and the name, title, address, phone number, fax number, and email address of the individual who will be our primary contact.

1. Please provide the address and website of the firm’s headquarters and all branch offices.
2. Please comment on the financial solvency of your firm.
3. Does the firm have any debt? What is the amount of debt and what are the plans, with timeframe described, to pay off the firm debt?
4. What is the minimum asset level required for your firm to remain profitable?
5. Please provide a brief description of your firm’s plans for growth over the next 3-5 years.
6. Please give succession plans for key employees if retirements are planned within 5 years.
7. Does your firm utilize subcontractors or third-parties to perform any of the transition management services? If so, identify the subcontractors or third-parties, the services they perform, and their qualifications. Describe the fees that will be paid, where they are located and supervised, and how staffing and services are outsourced as it relates to a typical transition.

**II. Ownership and Investment Professionals**

1. Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees and affiliated or passive investors.
2. Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.
3. Please explain any known or potential changes in firm ownership or personnel.
4. Are you a registered minority-owned business, women-owned business, or business owned by a person with a disability (at least 51% minority owned), as those terms are defined in the Business Enterprise to Minorities, Women and Persons with Disabilities Act, 30 ILCS 75/2 (“MWDBE”)? If so, please attach state or local registration.
5. Please describe your firm initiatives for diversity and inclusion in terms of your overall firm, senior leadership, and transition management teams.
6. Please provide brief biographies of the investment professionals (transition managers/traders) in the firm.
7. List ownership and % held by the investment professionals of your firm.
8. List directorships or board positions held by investment professionals at other firms.
9. Are the investment professionals under employment contracts with the firm? If so, what are the terms of the employment contracts, including non-compete clauses?
10. Discuss all turnover of investment professionals in the firm during the last three years.
11. Is your firm represented by any third party firm or individual whose purpose is marketing and/or gathering assets for the firm? If so, list all relationships and compensation structure.

**III. Transition Management**

1. Please complete the following table, as it relates to portfolio transitions:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Total $ (in millions) Round Trip | As of 12/31/23 | As of  12/31/22 | As of  12/31/21 | As of  12/31/20 | As of  12/31/19 |
| U.S Equity assets transferred |  |  |  |  |  |
| Non-U.S. Equity assets transferred |  |  |  |  |  |
| Fixed Income assets transferred |  |  |  |  |  |
| Total No. of transitions |  |  |  |  |  |
| Number of Retainer Clients / Panels |  |  |  |  |  |
| Avg. pre-trade cost estimate (in bps) |  |  |  |  |  |
| Avg. post-trade actual cost (in bps) |  |  |  |  |  |
| Percentage of transitions falling outside expected range of cost (%) (more than two standard deviation event) |  |  |  |  |  |

1. Describe typical implementation shortfall and what strategies you have to minimize implementation shortfall.
2. How much of your firm’s revenue is derived from proprietary trading versus transition management? Additionally, please state what percentage of the firm’s overall revenues are derived from Transition Management and other beta management services. Given the recent industry closures, it is important that we know whether firms we do business with have a commitment to the TM industry.
3. Where is the transition team based? Note HQ and location of all TM employees.
4. Does the transition team work separately from other trading groups within your firm (and are they dedicated solely to transition management)? How are potential conflicts (i.e., information leakage) avoided between these two groups? Is there a dedicated compliance team within the transition group?
5. Describe your willingness/capabilities in transitioning smaller portfolios (e.g., $10m-$50m)?
6. Describe your willingness/capabilities in transitioning portfolios with only fund vehicles (i.e., no separate accounts).
7. Are you willing to consider the transitioning of smaller/less complex portfolios as part of a broader strategic relationship – both from a minimum account size and a pricing standpoint?
8. Are you willing to project manage?
9. Please provide the approximate client turnover in using the format below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2023** | **2022** | **2021** | **2020** | **2019** |
| **# of Clients Gained** |  |  |  |  |  |
| **Assets ($MM) Gained** |  |  |  |  |  |
| **# of Clients Lost** |  |  |  |  |  |
| **Assets ($MM) Lost** |  |  |  |  |  |

**IV. Process**

1. Please describe your firm’s philosophy toward transition management.
2. If applicable, please describe your team’s expertise as it relates to currency management and execution. How is currency exchange handled during the transition? Do you disclose the entire value of revenues received by your firm during the execution process?
3. Please detail the step-by-step transition process utilized by your firm. Include a detailed description of your transition platform.
4. Please provide a sample post-trade and pre-trade report and analysis and describe your calculations of relevant data in that reporting including but not limited to estimated bid/ask spread, opportunity cost, and market impact costs.
5. Identify the different sources of liquidity that you have access to during a transition event. Describe broadly the quality/efficacy of these liquidity sources (cost, anonymity, liquidity in certain types of securities etc.).
6. Describe the order routing process and explain how you prioritize execution venues.
7. How does your firm define best execution? Does the firm utilize third party services to verify best execution?
8. Do you utilize crossing during transitions? What is the firm’s philosophy on crossing, both internally, and externally through dark pools. Please elaborate.
9. Describe in detail any changes or refinements made to the firm’s transition management process over the past five years.
10. In what ways is your firm able to provide exposure to asset classes and any extended transitions? (i.e., futures, synthetics, ETFs, etc.)
11. Please describe how you work with other brokerage firms or transition managers.
12. Please describe your firm’s communication process with the client and investment consultant during the transition.
13. Please describe your firm’s communication process with the target and legacy investment managers during the transition.
14. Please describe how you select brokerage firms. Specifically, please confirm that you will follow LABF’s Broker/Dealer Trading Policy and that you are accustomed to working with MWDBE or Chicago-based brokerage firms. List all MWDBE broker dealers that you utilize for open market trading in the transition process. In the prior calendar year, what percentage of commissions in open market trades was executed through MWDBE broker dealers?
15. Please provide a list of the electronic trading platforms that you utilize and, for each, please specify whether you use MWDBE firms as part of that electronic process and how that is done. For each electronic trade platform used, please list the MWDBE broker/dealer you transacted with through that platform over the past year, and, for each MWDBE broker/dealer on that electronic platform, please specify the dollar amount and percentage of total trade volume going through that broker/dealer over the past year.
16. Please briefly explain *in no more than one page* what your competitive advantage is and why your firm should be selected.
17. How will you verify that you have performed and accounted for the transition properly?
18. How does your firm measure its relative success or failure after the completion of a transition management event?
19. Please describe your firm’s policy on soft dollar trading.
20. If your firm utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

|  |
| --- |
| **Broker** |
| **1)** |
| **2)** |
| **3)** |
| **4)** |
| **5)** |

1. If your firm utilizes soft dollars, please rank by dollar value, in descending order, your top-five soft dollar relationships within the last year:

|  |  |
| --- | --- |
| **Item/Vendor** | **Dollar Value ($)** |
| **1)** |  |
| **2)** |  |
| **3)** |  |
| **4)** |  |
| **5)** |  |

1. If a client requests no soft dollars be, can you comply?
2. If you didn’t use soft dollars, what impact would that have on trading costs?

**V. Compliance**

1. State your firm’s fiduciary classification (Investment Adviser under the Illinois Securities Law of 1953, Registered Investment Adviser, under the Investment Advisers Act of 1940, Broker Dealer, etc.). Please describe how best execution is maintained for the client during the transition.
2. Please attach a copy of your firm’s Code of Ethics.
3. How are violations of the firm’s ethics policies handled? Has your firm ever experienced a material violation of the ethics policy? If so, provide a brief description of what happened and how the issue was resolved.
4. Describe any potential conflicts of interest your firm may have in providing transition management services. Include any activities of affiliated or parent organizations, brokerage activities, investment banking activities, or any past or current relationships of any kind with LABF Board members, staff, and Investment Consultants.
5. Is your firm affiliated with a broker dealer?
6. If yes, do you trade with your affiliated broker dealer? If applicable, what percentage of trades for this product execute through the affiliated broker dealer?
7. If yes, please describe, in detail, the processes the firm has in place to prevent the transmission of material nonpublic information between the asset management arm and the broker dealer?
8. If yes, please describe the separation of duties and systems between the broker dealer and asset management in regards to traders, back office, and settlement functions.
9. If yes, does your broker dealer have a separate profit and loss statement than the rest of the firm’s business entities? If no, please explain.
10. Are you a registered investment advisor? Please attach a copy of your ADV Part II.
11. Please provide a brief description of any past or pending regulatory action, litigation, or other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last 5 years.
12. Are you currently or have you been in the last 5 years out of compliance with the DOL? If yes, please explain thoroughly.
13. Are you currently or have you been in the last 5 years out of compliance with the SEC? If yes, please explain thoroughly.
14. Are you currently or have you been in the last 5 years out of compliance with any regulatory agency? If yes, please explain thoroughly.
15. Has your firm been audited by the SEC, DOL, or any regulatory agency in the past 5 years?
16. When was your last audit, please be specific by month and year, by the SEC, DOL or any regulatory agency?
17. Please explain any and all findings on your most recent SEC audit, including minor deficiencies. Please attach a copy of the SEC Review findings and firm responses.
18. Describe the Errors & Omissions Insurance, fidelity bonds, cyber liability insurance, and other forms of coverage that your firm carries to protect your clients?  Please provide the dollar amounts of each type of coverage and attach proof of insurance coverage.
19. Describe any claims filed with any insurance provider during the past 5 years.
20. Do you require executing brokers to carry fidelity bond(s) or errors and omissions insurance, or require the broker to have minimum net capitalization? What is the required minimum bond, insurance coverage, and capitalization?
21. Do you have a dedicated compliance officer?
22. Does this person serve other roles within the firm? If so, please describe.
23. Who is the firm’s independent auditor?
24. How long has firm’s independent auditor been serving in this capacity?
25. Has the Firm or any of its affiliates been the subject of a lawsuit, regulatory investigation, or proceeding within the last five years?  If yes, please provide complete details and relevant factors.   If still open and active, please include any anticipated disposition information.
26. Has any member of the senior management team been charged with or convicted of a felony crime, including but not limited to fraud, by the Securities and Exchange Commission, or any other criminal or regulatory agency?
27. Has the Firm or any of its affiliates ever filed for any form of bankruptcy protection?  Does the Firm or any affiliate expect to file for any form of bankruptcy protection during the next 12 months?  Please provide details for any such filings.
28. Has the Firm or any of its affiliates been involved in any labor action or labor dispute within the last five years?  If yes, please provide details and relevant factors.  If still open and active, please include any anticipated disposition information.
29. Who is the firm’s legal counsel or do you use an in-house legal team?
30. Please provide brief biographies for your legal counsel, indicating how long they have been serving in this capacity.
31. What is your firm’s personal trading policy?
32. What are your procedures for personal trading policy violations?
33. How many violations of your personal trading policy have occurred in the past 12 months? Please describe the nature of each violation.
34. What software, systems and/or processes ensure client-specific guidelines and regulations are adhered to?
35. Please describe your firm’s disaster recovery and business continuity plans,
36. Please address the most recent date and the numbers of times you have practiced and tested your procedures in the past 5 years, and the results of those exercises.
37. Please address your back-up capabilities and/or offsite location, particularly related to your trading desk, in the event your primary office location was inaccessible.
38. Describe the firm’s security environment. Specifically cover the physical, digital security, and policy measure safeguards that you have put in place to control access to portfolio reporting systems and client account information and to secure email, web communications, and mobile devices such as phones, tablets, and laptop.
39. Do the firm’s information technology systems meet or exceed industry best practices relate to cybersecurity, including but not limited to the U.S. Department of Labor’s Cybersecurity Program Best Practices and the requirements of the State of Illinois Cybersecurity Strategy and the NIST Cybersecurity Framework? If no, please explain.
40. How does your firm defend against cyber attacks?
41. Have you had your security assessed by a third party? If so, when was this last completed and by which provider?
42. Has your firm ever had a data security breach? If so, please describe the incident as well as the corrective actions.
43. Has the firm had a cybersecurity audit? If so, provide a copy of the most recent AICPA Service Organization Control 1 and/or 2 reports.

**VI. Fees and References**

1. Please provide your typical fee structure for equity and fixed income transitions. Describe all sources of revenue that your firm pays or receives (direct and indirect) related to transition management services, including but not limited to trading activities.
2. Please provide three references, including contact phone number and email address. Please include, at least, one current and one former client in your references.

**X. Attachments and Disclosure**

Please check off items included as attachments. If any **required** items are excluded, please indicate an alternate means for our review of requested items.

**Required Included?**

ADV Part II \_\_\_\_\_\_\_\_

Sample Pre-Trade Analysis \_\_\_\_\_\_\_\_

Sample Post-Trade Analysis \_\_\_\_\_\_\_\_

SEC Review Findings Letter \_\_\_\_\_\_\_\_

Disaster Recovery and Business Continuity Plans \_\_\_\_\_\_\_\_

Code of Ethics \_\_\_\_\_\_\_\_

Proof of E&O, Fidelity Bond, and Cyber Liability Insurance  \_\_\_\_\_\_\_\_

AICPA SOC 1 and/or 2 reports \_\_\_\_\_\_\_\_

**Include, if Applicable Included?**

|  |
| --- |
|  |
|  |

State or Local Registration for M/W/DBE

GIPS Verification Letter

**Chief Compliance Officer Signature**

I, chief compliance officer of , have reviewed all of the aforementioned statements and documents. To the best of our ability, we believe all statements and documents to be accurate, truthful and timely.

Signature

Print Name