

Socially and Environmentally Responsible Practices Survey

Mesirow Financial Investment Management

Please note: As part of our commitment to an open and transparent government, your completed survey will be posted in its entirety in electronic format on Treasury’s Web site at <http://www.patreasury.org>,

A. Women and Ethnic Minority Query

Firm Practices

1. Please detail the employee diversification of your firm, emphasizing executive and management positions that have decision-making responsibilities. Count each employee only once, except owners may be counted both as owners and employees if the owner has significant operational responsibilities. If s/he has multiple roles, count the employee in the category where s/he spends the most time.

Following please find the requested information with respect to employees of Mesirow Financial Investment Management, Inc., as of 07/15/2010

Position	Ethnic Minority	Women	Female Minority	Other	Total
Owners (and % ownership)	NA	NA	NA	NA	NA
Executive Management (e.g. CEO, COO, VP, Directors)	0	2	0	8	10
Investment Decision makers (portfolio managers, traders, etc.)	3	9	1	62	75
Investment Professionals (analysts, compliance officers, etc.)	3	4	2	7	16
All other FTE	1	29	9	22	61
TOTAL	7	44	12	99	162

Please note that there are no individual owners of Mesirow Financial Investment Management, Inc. Mesirow Financial Investment Management, Inc. is a wholly-owned subsidiary of Mesirow Financial Services, Inc., which in turn is a wholly-owned subsidiary of Mesirow Financial Holdings, Inc. A substantial majority of employees of Mesirow Financial Investment Management, Inc. holds stock within our parent company. The table below provides the ownership information with respect to all affiliates of Mesirow Financial Holdings, Inc., as of 07/15/2010.

Position	Ethnic Minority	Women	Female Minority	Other	Total
Owners (and % ownership)	3/0.28%	54/8.54%	6/0.36%	211/82.94%	274/92.12%
TOTAL					

Excludes 12 external shareholders (1 female owner (0.26%) and 11 male owners (8.26%))

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2. Please describe relevant initiatives and/or policies that assist in recruiting women and minorities to your firm and retaining and promoting those employees in your firm.

While the firm does not have a formal affirmative action program or a staffing plan, it is an equal employment opportunity employer. Mesirow Financial uses several methods for recruiting, hiring and promoting individuals. In order to get a diverse group of candidates, Mesirow Financial advertises position vacancies on job boards, universities and colleges, uses employment agencies, employee referrals, professional societies and organizations and company website. All postings include an EEOC statement and the statement is also stated on our employment application and company website.

Mesirow Financial is proud to be an equal opportunity employer. The company does not discriminate in any of its employment practices, including recruitment, compensation, promotions, transfers, or termination because of race, color, religion, sex (gender), national origin, disability, age, sex (wages), sexual orientation, marital status, parental status, military discharge status, veteran status, or any other status protected by law. Further, Mesirow Financial believes that all of our employees should be able to work in an atmosphere free from all forms of employment discrimination and harassment.

Similarly, we will not tolerate acts of discrimination or harassment by our employees. Acts such as epithets, slurs, negative stereotyping, threats or intimidation are strictly forbidden. This prohibition extends to all hiring and career advancement practices as well as all forms of communication: written, verbal, bulletin boards, cubicle walls, electronic mail, phone mail, etc.

Vendors and Subcontractors

3. What percentage of your trades utilizes minority/women-owned brokerage firms?

The percentage of trades utilizing minority/women-owned brokerage firms differs across department within firm.

For example, less than 1% of the fixed income teams' trades are with minority-owned brokerage firms.

4. Do you consider women and minority ownership or makeup when hiring vendors/sub-contractors, consultants, advisors or other professional services? If so, how? If not, please explain why you do not.

Mesirow Financial Investment Management, Inc. does not typically consider women or minority ownership or makeup when hiring vendors/subcontractors, advisors or other professionals, unless directed to by client.

Absent contrary instructions from our clients, our normal objective in trading is to achieve best execution. The following are some basic but not limiting factors and criteria that are used by our Fixed Income department. We generally select firms that are:

- **Involved in sectors where we invest (i.e. Corporate bonds, MBS, ABS, etc.)**
- **Underwriters of new issues**
- **In good standing in the investment community. (i.e. they are able to work bonds to other accounts that may be looking to do the opposite of what we are trying to accomplish.)**

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The brokerage analyst in the Fixed Income group will keep a file on any dealer that we do business with containing financials of each firm and any other document relevant to the appropriateness of the dealer as counterparty.

We show an ever-increasing percentage of our trades to minority firms. This has become much easier in the recent past as more of these firms begin to participate in the electronic trading systems we use. Nevertheless, the percentage of our trades won by any firm will be based on their ability to provide the best bid or offer on the securities we trade. We can and do report to clients the percentage of their trading volume for which a bid or offer was solicited from at least one minority firm.

The only way to guarantee that a target percentage of a client's trades will be done with a specific broker would be to direct us in writing to do so, best execution not withstanding. We are certainly willing and able to manage portfolios for clients with such a goal.

5. Please provide any other information you feel may be relevant or may help Treasury understand your approach to employee and vendor/subcontractor diversification.

We have previously addressed our approach to employee diversification in our response to question 2 above.

Mesirow Financial Holdings, Inc. (and affiliates) observes a corporate policy that ensures the inclusion of affirming actions on the behalf of minority- and women-owned businesses (MBE/WBE) and individuals to the greatest extent practicable in the everyday operation of our business. This policy exemplifies not only a socially responsible attitude, but also an acknowledgement of the benefits derived from optimizing professional resources and developing long-standing business relationships.

Due to the proprietary nature of our investment management product, Mesirow Financial Investment Management, Inc. does not utilize minority-owned/woman-owned/disadvantaged-owned business enterprises to fulfill contract requirements with respect to providing investment management services. However, the Investment Management Division of Mesirow Financial Holdings, Inc. regularly conducts business with a host of minority- and women-owned financial service firms such as traders and investment consultants.

Similarly, our parent company's Global Markets, Insurance Services and Consulting (Real Estate) divisions set and achieve aggressive goals and practices to enhance the economic development of underrepresented communities. For example, we have formed mentor/protégé and joint venture relationships with MBE/WBE firms and exceeded contract goals for MBE/WBE utilization with respect to these divisions.

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B. Environmental/Sustainability Query

Firm Practices

1. Please provide information related to your firm's policy/initiatives/efforts with respect to environmentally responsible and sustainable practices.
Mesirow Financial's tenet of personal attention is not limited to within our office doors. Good citizenship is practiced through a wide range of civic and community support. We feel a strong responsibility to foster the vitality of the places where we work and live, and to promote the well being of people in our communities.

While Mesirow Financial does not have a formal environmental policy in place, the firm has taken steps to improve sustainability through the following:

- Formed a *Going Green Committee* to share innovative ideas of change for both the workplace and home in order to help employees conserve and protect our natural resources. Participation encompasses a broad representation of employees in our firm who are focused on providing real, feasible solutions to our different environmental concerns.
- Expanded our recycling capabilities and education; provide reusable kitchen items and purchase eco-friendly disposable items; utilize partially recycled paper for mass presentations and distribute internal newsletters and information electronically.
- Added an environmental not-for-profit organization to our *Workplace Giving Program* in 2008 to provide employees the opportunity to donate funds that will be used to plant trees in the Chicago area.
- Our Real Estate Division designed and built an environmentally responsible state-of-the-art building which serves as our new headquarters. Located at 353 North Clark Street, Chicago, Illinois, the building was recently awarded a *Gold Level Certification* by the USGBC under the LEED-CS program.
- Participated in *Close the Loop*, a program dedicated to creating a positive force for social and environmental change within our community by promoting reuse and recycling, and building the acceptance and use of alternative recycled materials. As an environmentally responsible building, 353 North Clark uses converted paper products (i.e. hand towels and toilet paper) recycled directly from our building materials.

Employees continue to create new projects and resources for our firm in order to further our eco-friendly positive impact.

Vendors and Subcontractors

2. Do you consider the environmental or sustainable practices of vendors and subcontractors in hiring decisions? If so, how? If not, please explain why you do not.

The extent to which we consider the environmental or sustainable practices of vendors and subcontractors in hiring decisions differs across departments within firm.

For example, the Fixed Income team of Mesirow Financial Investment Management, Inc. does not typically consider the environmental or sustainable practices of vendors and subcontractors in hiring decisions, unless directed to by client.

Due to the proprietary nature of the investment management product, Mesirow Financial's Fixed Income department does not utilize other firms to provide investment management services. The Fixed Income department utilizes unaffiliated brokerage firms to execute trades, which may provide an opportunity to consider the environmental or sustainable

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practices of these firms. However, our objective with respect to trading is typically best execution and the hiring criteria as outlined in our response to question 4 in Section A of this survey response.

Investment Decisions

3. Do you consider environmental / sustainability issues when making investment decisions? If so, how? If not, please explain why you do not.
Mesirow Financial Investment Management, Inc. does indeed consider environmental and sustainability issues before committing our client's capital to an investment. The significance of these issues to an investment, however, can and does vary widely depending on the industry and subsector. For example, within the utility sector, we tend to favor companies that have a more balanced fuel/generation mix and those that are proactive in meeting carbon emission reduction mandates. Positively, these utilities generally have a longer-term strategic mindset and are more successful at mitigating regulatory, legal and reputational risks relative to peers.
We contrast utilities with wireless companies. While the environmental risks associated with the increasing proliferation of cell towers and growing wireless traffic are not completely well understood, it does appear that they have had at least some potentially negative ecological impact. However, there are also clear benefits to wireless services – particularly in developing countries where there had previously been only minimal wired telecom investment. Nevertheless, we have and continue to monitor this wireless company risk, but it is a low level risk at present.
4. Are there specific sectors or industries that you are likely to over or underweight due to climate risk or opportunity? If so, which ones?
Within the insurance industry, we underweight property and casualty (P&C) insurers and overweight life insurers. While the relative high cost of P&C (versus life) is an important factor in this particular sector-weighting decision, we are unsure whether P&C insurer debt yields compensate investors enough for the risks associated with the rising frequency of severe weather and the related cost of catastrophes.
5. How do you obtain information about climate risk and environmental factors?
We obtain most of the information on climate risk and environmental factors from environmental groups, industry trade associations/conferences, and company SEC filings. Company conference calls and/or direct one-on-one questions we ask of management can significantly enhance what is oftentimes solely boiler-plate information disclosed within company footnotes or "Risk Factors" in their 10-K or 8-K filings.
6. Have you adopted the United Nations Principles for Responsible Investing? (<http://www.unpri.org/>). If not, are you in the process of evaluating, or would you consider evaluating adoption of the United Nations Principles for Responsible Investing?
We have not adopted the United Nations Principles; however, we are open to evaluating these if so requested.

Please detail any other information you feel may be relevant or helpful for Treasury to understand your approach to evaluating the significance of environmental and sustainability issues in making investment decisions.

Not applicable.

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C. Pennsylvania Commitment Query

Please provide numbers detailing the firm and client presence in Pennsylvania.

Following please find the requested information with respect to Mesirow Financial Investment Management, Inc., as of 07/15/2010.

	Pennsylvania	Total
Headquarters	0	1
Offices	0 ¹	5 ^{1,4}
Employees	0 ²	166 ²
Clients: Headquartered in Pennsylvania	41 ³	41 ³

¹An affiliated firm, Mesirow Financial, Inc. has 1 office located in Pittsburgh, Pennsylvania.

²An affiliated firm, Mesirow Financial, Inc., has 2 full-time employees based in our Pittsburgh, Pennsylvania office.

³In addition, the Investment Management Division of Mesirow Financial Holdings, Inc. has 20 clients which are headquartered in Pennsylvania. Other affiliated divisions have approximately 425 Pennsylvania-based clients.

⁴Excludes 3 other locations where marketing/client service associates are based.

Please detail any other information you think relevant regarding the extent of your business contacts or activities in Pennsylvania.

Please note that across all affiliates of Mesirow Financial Investment Management, Inc., our corporate parent currently has 486 clients with headquarters located in Pennsylvania, which results in over \$16 million in revenue to the firm.

D. Geopolitical Risk

1. How do you take geopolitical risk into account when making investment decisions? If so, how? If not, please explain why you do not.
Geopolitical risks seem ever present and its importance to the market can be gleaned at any given point in time through the risk premium required for non-Treasury assets. In relation to credit sectors, the importance of geopolitical risks are somewhat blunted by the fact that the overwhelming majority of credits in our index universe is domiciled in the US or within the G7 countries. However, major multinationals can and do have exposure to areas rife with geopolitical risk. These types of entities, through their presence in numerous countries, offer a diversified geopolitical risk exposure. To the extent that we may get involved in these situations, we keep our investments limited to those names where we are comfortable with the limits on these risks and where investors are getting adequately paid to take on the incremental geopolitical risk

2. Do you currently have in place policies that prohibit or limit investment in companies doing business with countries identified as state sponsors of terrorism by the U.S. State Department? If so, please provide those policies.
We have no formal written policies that prohibit or limit investment in companies doing business with countries identified as state sponsors of terrorism by the U.S. State Department. However, various clients have investment guidelines that prohibit investment in such companies, and we monitor requisite lists of such companies. We are able to exclude such companies at the request of the client.