



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM

POLICY REGARDING PLACEMENT AGENT DISCLOSURE INFORMATION

This policy is effective August 26, 2009. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

I. PURPOSE

This Policy sets forth the circumstances under which the Santa Barbara County Employees' Retirement System ("SBCERS") shall require the disclosure of payments to Placement Agents in connection with SBCERS' investments in or through External Managers. This Policy is intended to apply broadly to all of the types of investment partners with whom SBCERS does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well investment managers retained pursuant to a contract. SBCERS adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that SBCERS' investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to SBCERS.

II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the term of the agreement is extended, there is any increased commitment of funds by SBCERS pursuant to the existing agreement or there is an amendment to the substantive terms of an existing agreement, including the fees or compensation payable to the External Manager.

III. RESPONSIBILITIES

A. Each External Manager is responsible for:

1. Providing the following information (collectively, the "Placement Agent Information Disclosure") to Staff at the time investment discussions are initiated by the External Manager:
 - a. A statement whether the External Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person (whether or not employed by the External Manager) or entity to act as a Placement Agent in connection with any investment by SBCERS.
 - b. A resume for each officer, partner or principal of the Placement Agent (and any employee providing similar services) detailing the person's education, professional designations, regulatory licenses and

- investment and work experience. If any such person is a current or former SBCERS Board member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
- c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include compensation to third parties as well as employees of the External Manager who are retained in order to solicit an investment from SBCERS or who are paid based upon investment commitments secured by such employees, except for those bona fide employees earning less than \$100,000 per year in salary that do not receive any incentive compensation based entirely on SBCERS' decision to invest with the External Manager.
 - d. A description of the services to be performed by the Placement Agent.
 - e. A copy of any and all agreements between the External Manager and the Placement Agent.
 - f. The names of any current or former SBCERS Board members, employees, or Consultants who suggested the retention of the Placement Agent.
 - g. A statement whether the Placement Agent or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a country other than the United States and the details of such registration or explanation of why no registration is required.
2. Providing an update of any changes to any of the information included in the Placement Agent Information Disclosure within five business days of the occurrence of the change in information.
 3. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final written agreement with a continuing obligation to update any such information within five business days of any change in the information.
 4. Causing its engaged Placement Agent, prior to acting as a Placement Agent with regard to SBCERS, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the SBCERS Board or Staff, or Consultant, during the prior twenty-four month period.
 5. Causing its engaged Placement Agent, during the time it is receiving compensation in connection with a SBCERS' investment, to disclose to Staff any campaign contribution, gift or other item of value made or given

to any member of the SBCERS Board or Staff, or Consultant, during such period.

B. SBCERS' Consultant and Investment Staff ("Staff") are responsible for all of the following:

1. Providing External Managers and Placement Agents with a copy of this Policy at the time that due diligence in connection with a prospective investment or engagement begins.
2. Confirming that the Placement Agent Disclosure has been received prior to the completion of due diligence and any recommendation to proceed with the engagement of the External Manager or the decision to make any investment.
3. For new contracts and amendments to contracts existing as of the date of this Policy, securing the agreement of the External Manager in the final written agreement between SBCERS and the External Manager to provide SBCERS the following remedies in the event that there was or is a material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy:
 - a. Whichever is greater, the reimbursement of any management or advisory fees for two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent; and
 - b. The authority to terminate immediately the investment management contract or other agreement with the External Manager without penalty, to withdraw without penalty from the limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (and paying any fees on these recalled commitments) to the limited partnership, limited liability company or other investment vehicle.
4. For new contracts and amendments to contracts existing as of the date of the Policy, confirming that the final written agreement between SBCERS and the External Manager provides that the External Manager shall be solely responsible for, and SBCERS shall not pay (directly or indirectly), any fees, compensation or expenses for any Placement Agent used by the External Manager.
5. Prohibiting any External Manager or Placement Agent from soliciting new investments from SBCERS for five years after they have committed a material violation of this Policy; *provided, however*, that SBCERS' Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.

6. Providing copies of the Placement Agent Information Disclosure and the Placement Agent disclosures referred to in Sections III. A. 4 and 5, above, to the Board, the Chief Executive Officer and the Investment Risk Advisory Committee ("IRAC").
 7. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.
- C. External Managers shall comply with this Policy and cooperate with the Consultant and Staff in meeting their obligations under this Policy.

IV. GLOSSARY OF TERMS

Consultant

Person(s) or firm(s), including key personnel of such firm(s), who are contractually retained by SBCERS to provide advice to SBCERS on investments, External Manager selection and monitoring, and other services, but who do not exercise investment discretion.

External Manager

An asset management firm, partnership, general partner, limited liability company or other investment vehicle that is seeking to be, or has been, retained by SBCERS to manage a portfolio of assets or interests (including securities) for a fee. The external manager usually has full discretion to manage SBCERS' assets, consistent with investment management guidelines provided by SBCERS and fiduciary responsibility.

Placement Agent

Person(s) or firm(s) hired, engaged or retained by or acting on behalf of an External Manager or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investments from or to obtain access to SBCERS, directly or indirectly.