

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM

PLACEMENT AGENT DISCLOSURE POLICY

I. PURPOSE

This Policy, implemented as required by California Government Code ("Government Code") Section 7513.85, 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 entities with whom SBCERS does business, including private investment funds and investment managers of publically traded investments 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. GLOSSARY OF TERMS

- a. **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, or who have been retained to exercise discretion in committing SBCERS to private market investments.
- b. **External Manager** (As defined by Government Code section 7513.8(b)): An individual, corporation, partnership, limited partnership, limited liability corporation, association or investment vehicle, either domestic or foreign, (a) who is seeking to be, or is, retained by SBCERS to manage a portfolio of securities or other assets, for compensation; or (b) who manages an investment fund and who offers or sells, or who has offered or sold, an ownership interest in the investment fund to SBCERS.
- c. **Investment Fund** (As defined by Government Code section 7513.8(c)): A private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. An investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 and that makes a public offering of its securities is not an "investment fund."
- d. **Investment Vehicle** (As defined by Government Code section 7513.8(d)): a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other external managers.

- e. **Placement Agent** (As defined by Government Code section 7513.8(f)): Any person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an investment fund managed by an External Manager, or on behalf of another Placement Agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of (a) the investment management services of an External Manager or (b) an ownership interest in an investment fund managed by the External Manager to SBCERS, either directly or indirectly.

Notwithstanding the foregoing definition, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

III. APPLICATION

This Policy applies to all agreements with External Managers entered into after August 26, 2009 and any amendments to existing agreements entered into after that date.

IV. RESPONSIBILITIES

- a. Each External Manager is responsible for:
 - i. Providing the following information (collectively, the “Placement Agent Information Disclosure”) to Staff or a designated Consultant prior to contract approval or execution.
 - 1. 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 (Required by Government Code Section 7513.85(a)(1).
 - 2. 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 (Required by Government Code Section 7513.85(a)(2).
 - 3. 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 (Required by Government Code Section 7513.85(a)(3).

4. A description of the services to be performed by the Placement Agent (Required by Government Code Section 7513.85(a)(4)).
 5. The names of any current or former SBCERS Board members, employees, or Consultants who suggested the retention of the Placement Agent.
 6. 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 (Required by Government Code Section 7513.85(a)(5)).
 7. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government (Required by Government Code Section 7513.85(a)(6)).
- ii. Providing an update of any changes to any of the information included in the Placement Agent Information Disclosure within ten business days of a request for update by SBCERS.
 - iii. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final written agreement.
 - iv. 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 (required by Government Code Section 7513.9).
 - v. 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 (required by Government Code Section 7513.9).
- b. SBCERS' Consultants and Staff are responsible for the following:
- i. 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.
 - ii. 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.

- iii. For new contracts and amendments to existing contracts, the External Manager may be required 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:
 - 1. Whichever is greater, the reimbursement of any management or advisory fees paid by SBCERS for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the SBCERS' investment; and
 - 2. 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.
- iv. For new contracts and amendments to existing contracts, 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. A provision that allows the External Manager to pay Placement Agent fees or compensation from capital contributed by SBCERS with a corresponding reduction in the management fee payable with respect to SBCERS' investment shall not be regarded as a payment of the Placement Agent fee or compensation by SBCERS for purposes of this Policy.
- v. 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 (required by 7513.85(b)).
- vi. Maintaining copies of Placement Agent Information Disclosures with respect to each SBCERS External Manager and periodically requesting that such completed disclosures be updated.
- vii. Providing to the Board once annually with a summary report verifying its compliance with this policy, reporting material payments to placement agents (payment of salary or bonus compensation to employees of External Managers shall not be deemed material); and reporting material violations of this Policy.
- c. External Managers shall comply with this Policy and cooperate with Consultants and Staff in meeting their obligations under this Policy.

Effective August 26, 2009
Amended February 24, 2010
Amended December 15, 2010
Amended February 8, 2012
Amended September 26, 2018