

## TRANSPARENCY AND DISCLOSURE POLICY

It is the policy of the State Investment Council (“SIC”), Private Equity Investment Advisory Committee (“PEIAC”) and State Investment Office (“SIO”) to disclose potential or perceived conflicts of interest and to ensure that any and all investments, advisory contracts, or any other contract are entered into by the SIC, PEIAC, or SIO in accordance with its fiduciary responsibilities. Conflicts may arise when an investment manager or other contractor either (i) engages a third party who receives a fee or shares a fee with another party or (ii) shares ownership rights with an individual or entity in connection with the SIO’s consummation of the investment or contract.

### **I. DEFINITIONS**

- A. **“Third Party Sales Agent”** – any individual or entity hired, engaged or retained by an individual or entity seeking to secure or retain an investment or contract from the SIO, SIC or PEIAC who acts as or on behalf of a placement agent, third party marketer, finder, introducing broker, lobbyist, solicitor, consultant or other intermediary to (i) facilitate the investment of money or securing of a contract (ii) assist in retaining an investment or contract or (iii) obtain access in any way to the SIO, SIC or PEIAC. This definition is to be construed as broadly as possibly in order to encompass all individuals or entities acting in any manner as a sales agent regardless of duties.
- B. **“Third Party Fee”** – a Third Party Fee is any fee or any economic benefit that is provided by or at the direction of the recipient of the potential investment or contract to any third party. These fees may be paid by the fund, joint venture, corporation, general partner, member, principal or affiliates thereof. Fees or economic benefit may take the form of a commission based fee, hourly fee, flat fee, retainer, success based fee or ownership stake. Success based fees are payments made contingent upon some future event. For example, a fee may be payable only upon a Fund raising a certain dollar amount or the consummation of an investment or contract.

For the avoidance of doubt, a Third Party Fee will include, but is not limited to any fee or economic benefit provided to any attorneys, accountants, custodians, administrators, auditors, consultants, prime brokers, advisors or other service providers.

### **II. PLACEMENT AGENT PROHIBITION**

The State Investment Office shall not make any investment when the recipient of the potential investment or contract is represented in any capacity by a Third Party Sales Agent in connection with such investment. This ban applies whether or not the Third Party Sales Agent is hired to seek or retain an investment or contract from the SIO/PEIAC/SIC, or any group of investors that includes the SIO/PEIAC/SIC.

For the avoidance of doubt, this prohibition is intended to apply as broadly as possibly to include any representation by a Third Party Sales Agent and it is the intent of the SIO/PEIAC/SIC to hold any and all recipients’ of an investment or contract responsible for all pertinent disclosure and compliance with the intent and spirit of this Policy. Any failure may subject the recipient of the investment or contract to damages/penalties as outlined in Sections VIII and IX.

### **III. GIFT/BENEFIT PROHIBITION**

No individual or entity that is a recipient of an investment or contract shall pay or otherwise provide any money, gift or other benefit to any elected or appointed officeholder (directly or indirectly), or any official or employee of the State of New Mexico in connection with the investment or contract.

#### **IV. CAMPAIGN CONTRIBUTION PROHIBITIONS**

- A. Investment/contracts.
- i. During the term of the investment or contract and two years afterward, any and all recipients of investments or contracts, including the firm, individual, principals, agents, employees and family members, are prohibited from making any campaign contribution to any elected or appointed official or any person seeking an elected or appointed position that may have influence over the SIO, SIC or PEIAC.
  - ii. During the term of the investment or contract and two years afterward, any and all Third Party Sales Agents (including the firm, individual, principals, agents, employees, and family members), that were engaged with respect to the securing or retention of any investment or contract, are prohibited from making any campaign contribution to any elected or appointed official or any person seeking an elected or appointed position that may have influence over the SIO, SIC or PEIAC.
- B. Prospective looking investment/contracts. The SIO, SIC or PEIAC shall not knowingly award any investment or contract to any firm or individual, that made or caused to be made any campaign contribution to any elected or appointed official or any person seeking an elected or appointed position that may have influence over the SIO, SIC or PEIAC within the preceding two years of the proposed investment or contract. This Policy applies to any campaign contribution made on or after the effective date of this Policy.

#### **V. DISCLOSURE**

Any individual or entity seeking an investment or contract shall disclose to the SIO staff the following information:

- A. General Disclosure.
- i. Provide the individual or entity's policy (if any) and describe the practice regarding the offering of compensation in any form in connection with either the solicitation of prospective investments or contracts or the retention of existing investments or contracts. If no policy exists, a statement must be provided documenting that fact.
  - ii. Disclose whether or not the individual (including his/her Immediate Family Members) or entity (including its principals, owners and their respective Immediate Family Members) have any business or financial relationships of any type with the SIO's investment consultant (if any), employees of the SIO or members of the SIC or PEIAC. If no relationships exist, a statement must be provided documenting that fact.
  - iii. For the preceding four years, disclose any and all campaign contributions by the individual (including his/her Immediate Family Members) or entity (including its principals, owners and their respective Immediate Family Members) to any elected New Mexico state or district official or any person seeking an elected New Mexico state or district position. If no contributions were made, a statement must be provided documenting that fact.
- B. Disclosure of all Third Party Fees. A list of all individuals or entities that are or may be engaged in any way that may or will receive a Third Party Fee in excess of \$50,000 in any twelve month period. For each such listing provide:
- i. The name of the individual or entity.
  - ii. The names of the principals.
  - iii. The names of the individuals who were the main contacts and negotiated the agreement between the parties.
  - iv. A description of the nature of the services that are to be provided.
  - v. A justification for the engagement, outlining why this relationship was consummated over engagement of a competitor.
  - vi. The dates of hire, engagement, retention and termination.

- vii. Outline the type and amount (within specified ranges to be determined by the SIO staff) of any and all compensation of any kind to be provided or agreed to be provided, including the nature, timing and value.
  - viii. A summary of any and all agreements and material terms between the third party and the individual or entity seeking the investment or contract.
  - ix. A summary of any and all agreements and material terms between the third party and any other individual or entity that may have or will share in the Third Party Fee – i.e. sub-contractors.
  - x. The names of any current or former SIO consultants, SIO employees or PEIAC/SIC members who suggested the engagement.
  - xi. An agreement to provide such other information and/or agreements or other documentation that may reasonably be requested by the SIO, SIC or PEIAC.
- C. Disclosure of Marketing Employees. The marketing of an investment product or other service may be subject to potential conflicts of interest. To minimize and address potential conflicts, the names of any and all employees who in any way are responsible for marketing the product or service shall be disclosed by the potential recipient of the investment or contract. For the avoidance of doubt, the determination of employees should be construed as broadly as possible and shall include, but not be limited to, full-time, part-time, temporary, exempt and non-exempt employees.

#### **VI. Representation and Warranty/ Continuing Obligation to Disclose.**

Prior to executing any final agreement, any individual or entity seeking an investment or contract shall represent and warrant (in such final agreement or in a separate form) that, to the best of his/her/its knowledge, the information provided pursuant to this Policy is accurate and shall acknowledge the continuing obligation to update any such information within five (5) business days of any change in the information. Such language shall be drafted and acceptable to the SIO staff.

#### **VII. REPORTING TO SIC, PEIAC AND PUBLIC**

- A. Ongoing. For investments or other contracts required to be approved by the SIC or PEIAC, disclosure of the information outlined in Section V above shall be made two weeks prior to any meeting whereby the approval of such investment or contract is sought. For investments or other contracts requiring only the approval of the State Investment Officer such disclosure shall be made two weeks prior to the expected consummation of any such investment or contract. All such disclosures shall be reviewed for any potential conflicts and shall be posted to the SIC's website in accordance with the two week disclosure deadline. The SIC, PEIAC, SIO staff and the public are encouraged to provide comments with respect to any conflicts via the SIC's website. The SIO staff will provide updated disclosure information to the SIC, PEIAC and public as described herein within fifteen (15) days of receiving updated information from an individual or entity seeking or who has secured an investment or contract.
- B. Monthly/Annually. Each month, the State Investment Officer shall aggregate the disclosures for investments or contracts actually consummated and provide it to the SIC. Annually, the SIO shall provide an aggregated summary of the disclosures for investments or contracts actually consummated and publish the summary in its annual report.
- C. Exceptions.
  - i. *Emergency.* Notwithstanding the foregoing, in the event that the SIO staff determines that (due to an emergency or some other circumstance) either the SIO, SIC or PEIAC would suffer a material detriment if it were required to delay entering into a contract or making an investment in order to meet the requirements of this Section VII, the SIO, SIC or PEIAC may enter into the contract before the expiration of the two week period outlined in this Section VII under the following conditions:

- a. If the contract or investment can be terminated by the SIO without penalty or detriment, the SIO shall use all reasonable efforts to comply with the requirements of this Section VII to the extent practicable.
  - b. If termination of the contract or investment cannot occur within thirty (30) days without any penalty or detriment to the SIO, disclosure must be made to the SIC, PEIAC and public in accordance with the requirements of this Section VIII no later than five business days prior to any approval by the SIC/PEIAC or execution by the State Investment Officer.
- ii. *Confidential Information.* The SIO staff may redact or excerpt certain financial information provided in accordance with Section V above prior to posting it on the SIC's website, to the extent the SIO staff determines that doing so is appropriate to protect confidential, confidential commercial information, proprietary information, trade secrets, or some other legitimate business interest, *provided however*, any redaction or excerption shall be identified on the website.

### **VIII. DAMAGE/PENALTY**

Failure by any individual or entity seeking a contract or an investment to comply with this Policy or inaccurately supply information shall result in the following:

- A. For investments. Immediate termination of the investment with no obligation to continue funding or pay any management or performance fees AND the payment to the SIO of the greater of either (a) the current market value plus all fees paid or (b) the amount of the investment compounded at a rate of LIBOR plus 5%.
- B. For other contracts. Immediate termination of the contract with no obligation to pay any future fees AND repayment to the SIO of all fees paid by the SIO for the last two years.
- C. Prohibition. No investment or contract will be granted to the individual or entity for a minimum of twenty-four months after any failure to comply with this Policy.

### **IX. CRIMINAL PENALTIES**

New Mexico law defines a "third-party marketer" as a person who, on behalf of an investment fund manager or other person seeking an investment of public money and under a written or implied agreement, receives a fee, commission or retainer for such services from the person seeking an investment of public money.

By New Mexico law, failure by the recipient of an investment to disclose the identity of any third-party marketer who assisted in obtaining the investment and the amount of any fee, commission or retainer paid to that third-party marketer may subject the recipient of the investment to a fourth degree felony with a fine of not more than twenty thousand dollars (\$20,000).

### **X. ADMINISTRATION**

The SIO staff may adopt procedures to implement this Policy. Such procedures may allow the SIC to grant certain exemptions from the requirements of this Policy; provided, that, (A) seventy-five percent of the SIC members vote in favor of granting an exemption, (B) the exemption granted pursuant to this Policy is clearly documented with an explanation of the basis for such exemption, and (C) a report is made to the SIC and/or PEIAC regarding such exemption at the next applicable SIC/PEIAC meeting.