



## **Addendum to the Teacher Retirement System of Texas Investment Policy Statement**

### **Political Contributions; Improper Influence; Placement Agents and Finders**

**Effective date: July 1, 2009**

#### **1. Scope.**

This policy applies to all TRS investment transactions in which a placement agent or finder is or may be involved, including new agreements (including follow-on and co-investments), extension of existing agreements, increase in funding or capital commitment to an existing relationship or fund, or an amendment that increases management fees or compensation under an agreement.

This policy also applies to attempts to influence TRS investment decisions through contacts with TRS trustees, or contacts with, or political contributions made for the benefit of, one or more Texas Elected Officials, and also applies to contacts with persons employed by any such official.

If any provision of this policy conflicts with a provision of another policy adopted by the TRS board, the stricter provision shall apply.

#### **2. Purpose.**

The purpose of this policy is to ensure the integrity of all TRS investment transactions and conformity with the highest fiduciary, ethical, and legal standards by all parties involved. All investment decisions made by the Board and the staff and must be based solely on the merits in conformity with fiduciary standards and applicable law. All investment recommendations made by consultants and advisers must be based solely on the merits after the necessary due diligence. All investment decisions and recommendations must be free of impropriety or improper influence and the appearance of either.

#### **3. Philosophy.**

The Board desires that the staff obtain full disclosure of all matters having the potential to harm TRS's reputation or the integrity of TRS's investment processes, or that could constitute unethical or unlawful conduct during the investment due diligence process.

#### **4. Required disclosures.**

At a minimum, all external Fund or Manager Parties shall provide detailed written responses to the questionnaire attached hereto as Appendix A as early as reasonably possible in the due diligence process for a TRS investment transaction. The Executive Director is authorized to approve such revisions to Appendix A from time to time as he deems to be in the best interest of TRS and consistent with this policy.

In addition, all Fund or Manager Parties shall provide a detailed description of the services to be performed by the Placement Agent and how the Placement Agent is used (e.g., with all prospects, or only with a subset of prospects). The investment staff shall obtain a copy or summary of the terms of an agreement to compensate a Placement Agent for the due diligence file. The investment staff shall provide all prospective Fund or Manager Parties with a copy of this policy upon commencement of due diligence.

#### **5. Contractual representations, warranties and covenants.**

Each Fund or Manager Party shall represent and warrant to TRS in the executed closing documents for the transaction that its responses to Appendix A to this policy and any supplemental inquiries are true, correct, and

complete in all material respects, and shall also covenant to update any such information within 10 business days of any change in the information in the responses.

In addition, each Placement Agent shall fully disclose the terms of its arrangements with a Fund or Manager Party for payment of a Placement Fee and any political contributions by the Placement Agent to any Texas Elected Officials, and shall certify as to the matters addressed in Appendix A, as applicable, to TRS in a writing executed by an authorized officer that the disclosures required by this policy are true and complete in all material respects.

Each final investment agreement shall provide TRS with the option to receive a reimbursement of management or advisory fees equal to the amount of Placement Fees to be paid to any and all Placement Agents, and, in addition and not in the alternative, the right to terminate the management agreement or withdraw without penalty from the fund investment vehicle or vehicles if any certificates or contractual representations, warranties or covenants relating to this policy have been breached.

#### **6. Prohibitions.**

Neither TRS nor any TRS investment shall be burdened with or liable for any Placement Fee. No TRS investment may be made if the transaction involves either (a) a Placement Agent who is not registered with either of the Securities and Exchange Commission or the Financial Industry Regulatory Authority (“FINRA”), or (b) the sharing of a Placement Fee with a non-registered person or entity. No TRS investment may be made if an authorized officer or the board, in consultation with legal counsel, determines that a disclosed contact with a TRS board member or Texas Elected Official, or a contribution to a Texas Elected Official, has created an unacceptable risk to the integrity and reputation of the TRS investment program or has been made in violation of a TRS policy or applicable law. A contact-based referral, without more, by a trustee of either an investment opportunity or a Manager or Fund Party contact to the Executive Director, Chief Investment Officer, or Deputy Chief Investment Officer does not constitute such a risk or a violation of this policy.

#### **7. Reporting.**

The investment staff shall compile all responses to the questionnaire and report the results to the board at least quarterly. Reports shall include the amounts and recipients of any political contribution or Placement Fee and the relationship of the recipients to the Placement Agent or Texas Elected Official, as applicable.

#### **8. Definitions applicable to this Policy.**

**Affiliate** – means a person or entity controlled by or under common control with another person or entity.

**Fund or Manager Party** – includes, (a) as to a private investment fund, a fund sponsor, the general partner, managing member, or its equivalent with respect to a fund, fund sponsor, or fund management firm, (b) as to an external, separate account investment manager, the asset management entity and the parent of such asset management entity, and (c) as to (a) and (b), any Affiliate, principal, owner, officer, shareholder, director, managing member, or employee having authority to act on behalf of such fund or firm.

**Placement Agent** – includes any third party, whether or not affiliated with a Fund or Manager Party, that is a party to an agreement or arrangement (whether oral or written) with a Fund or Manager Party for the direct or indirect payment of a Placement Fee in connection with a TRS investment. Any other person or entity who claims a Placement Fee or who by agreement with a Placement Agent will share in a Placement Agent’s Placement Fee is deemed to be a Placement Agent whether or not the person or entity is an Affiliate, principal, owner, officer, shareholder, director, managing member, or employee of a Placement Agent. A “finder” is a Placement Agent.

**Placement Fee** – includes any compensation or payment, directly or indirectly, of a commission, finder’s fee, or any other consideration or benefit to be paid to a Placement Agent.

**Relative** –means a spouse (including an ex-spouse), parent, child (including adopted), sibling, niece, nephew, aunt, or uncle.

**Texas Elected Official** – includes any elected official of the State of Texas, including but not limited to the governor, lieutenant governor, comptroller of public accounts, attorney general, and any member of the Texas Legislature, and also includes a campaign fund or political action committee, or PAC for an elected official, and any Relative of a Texas elected official.

**TRS Person** – means any person listed on Exhibit A attached to Appendix A to this Policy or to any other due diligence document, and includes without limitation any current or former TRS board member, Executive Director, Deputy Director, Chief Financial Officer, Investment Division or Legal Services employee, any investment consultant or actuary, any outside counsel engaged by TRS, and any Relative of a TRS Person, whether or not listed on an Exhibit A, TRS Persons.



**Appendix A – Questionnaire**  
**to Addendum to the Teacher Retirement System of Texas**  
**Investment Policy Statement**

**Political Contributions; Improper Influence; Placement Agents and Finders**

*Capitalized terms are defined in main text of policy.*

**A) Contacts with State Officials; Political Contributions.** Has any person lobbied, communicated with, or made political contributions during the past three years on behalf of the Fund or Manager Party to a Texas Elected Official in connection with a prospective investment transaction with a Texas state investment entity, including TRS?

- 1) If the answer is “yes,” please provide a complete list of the name(s) of the entities and individual(s) involved, the approximate dates of the contributions, the amounts of the contributions, a summary of the contacts or communications, and the nature of the discussion in regards to the investment with any Texas state investment entity, including TRS.

**B) Contacts with TRS Board Members.** Has any person lobbied or otherwise communicated on behalf of the Fund or Manager Party with a current or former member of the TRS Board of Trustees during the past two years for the purpose of asking the current or former member to seek to influence a decision by the TRS investment staff or a TRS advisor or consultant to recommend that TRS invest?

- 1) If the answer is “yes,” please provide a complete listing of the name(s) of the entities and individual(s) involved, the approximate dates of the contacts or communications, and the nature of the discussion in regards to this investment.

**C) Placement Agents and Placement Fees.** Is or was the Fund or Manager Party a party to any agreement or arrangement (whether oral or written) to pay a Placement Fee to or for the benefit of any Placement Agent in connection with TRS’s prospective investment in a fund or engagement of an external manager?

- 1) If the answer to C) is “yes,” please provide a copy of the written agreement or agreements creating the obligation to pay a Placement Fee. If the agreement is not written, please provide a written summary of the agreement. Additionally, please state the amount of the Placement Fee (or the formula for its determination if the amount is not yet determined) and the date of its payment or anticipated payment.
- 2) If the answer is “yes,” please list the name(s) of the person or entity. If the party to the agreement is an entity, please also list the names of the principal owners, officers, directors, or managing members of the Placement Agent and provide a resume for each such person.
- 3) If the answer is “yes,” state whether the Placement Agent, or any of its Affiliates, is registered as a lobbyist with any state government or the federal government and identify the registrants and the applicable jurisdictions where registered.
- 4) Will or did any TRS Person or any Relative of a TRS Person receive, has any such person received, or might any such person receive, any compensation or payment, directly or indirectly, of a commission, finder’s fee, or any other consideration or benefit to be paid to a Placement Agent (a “Placement Fee”) in connection with TRS’s investment? If the answer is “yes,” please list the name or names of the TRS Person or Relative of a TRS Person and provide details about the terms of the Placement Fee.

- 5) Will or did any Texas Elected Official or a Relative of a Texas Elected Official receive a Placement Fee in connection with TRS's investment? If the answer is "yes," please list the name or names of the official and provide details about the terms of the Placement Fee, including the amounts and timing of payments.
- 6) Did (or will) any third party person or entity who is not employed or otherwise affiliated with a Placement Agent, including a current or former TRS Person, either (a) recommend the Placement Agent or (b) receive a share of a Placement fee or any other economic benefit in connection with TRS's investment, whether directly or indirectly through a Placement Agent engaged by you?
- 7) If the answer to 6) is "yes," please list the name of the person or entity, the relationship of the person or entity to the Placement Agent and your firm, and provide a description of the arrangement and the reason for the payment.
- 8) State whether the Placement Agent or any of its Affiliates is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or a similar agency outside the United States. Provide details about registration or explain why registration is not required.

**The undersigned certifies, represents and warrants on behalf of the Fund or Manager Party that, to the best of its knowledge after due inquiry, (a) the foregoing responses to this questionnaire are true and correct and do not omit any statement or fact necessary to make any statement made not misleading in any material respect, and (b) no prior statements or representations, if any, whether oral or written, made on behalf of the Fund or Manager Party relating to the subject matter of this questionnaire in connection with TRS's due diligence inquiries and a prospective investment management agreement or subscription to the fund, as the case may be, including any side letter agreements, was untrue or misleading in any material respect when they were made.**

[signature block for Fund or Manager Party]

**Attachment: Exhibit A, TRS Persons**