

ERICK ROESER
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

585 FISCAL DRIVE, SUITE 100
SANTA ROSA, CA 95403
PHONE (707) 565-2631
FAX (707) 565-3489



AMANDA RUCH, CPA
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

BROOKE KOOP, CPA
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

KATHLEEN PARNELL
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

Sonoma County Auditor-Controller-Treasurer-Tax Collector Broker/Dealer Due Diligence Questionnaire

SECTION I – STATEMENT OF POSITION AND GENERAL OVERVIEW

The Sonoma County (the “County”) Auditor-Controller-Treasurer-Tax Collector’s Office (the “Treasurer”) manages an approximately \$3 billion investment portfolio in accordance with the Sonoma County Investment Policy (the “IPS”), California Government Code 53600 et. seq. and other applicable laws and regulations. A most recent copy of IPS can be obtained at:

<https://sonomacounty.ca.gov/administrative-support-and-fiscal-services/auditor-controller-treasurer-tax-collector/divisions/treasury>

The Treasurer’s Office maintains open relationships with qualified broker/dealers who meet the standards of California Government Code Section 53601.5 and who understand the needs, goals, and objectives as well as constraints of the Treasurer’s Office and its investment portfolio. The following questionnaire is part of due diligence review of broker/dealers by the Treasurer’s Office to ensure compliance with the applicable policies, laws, and regulations. Upon receipt of the properly completed due diligence questionnaire, an evaluation of the information will determine if your Firm meets the qualification standards. The Treasurer's Office reserves the right to determine broker qualifications for trade execution and to limit the number of broker/dealers used in accordance with the needs of the Treasurer’s Office. Addition to the approved broker/dealers list does not constitute an obligation of the Sonoma County Treasurer's Office to assign any trades to a broker/dealer.

The Treasurer’s Office employs a fair and prudent evaluation process in determining qualification of broker/dealers and encourages all broker/dealers including local and emerging broker/dealers to complete the questionnaires for consideration by the Treasurer’s Office.

Under California Government Code Section 53601.5, there are four categories of allowed counterparties that Sonoma County is permitted to transact with. From the following list below, please select the category under which your firm wishes to be considered:

1. Financial Institution that is designated as a primary dealer by the Federal Reserve.
2. Financial Institution that is a member of a federally regulated securities exchange.
3. Financial Institution licensed by the state as a broker-dealer as defined by Section 25004 of California Corporation Code.

4. Financial Institution that is a national or state-chartered bank or savings association or federal association as defined by Section 5102 of the California Financial Code that directly sells only its own investments.

COMPLETION OF THIS QUESTIONNAIRE DOES NOT CONSTITUTE OR GUARANTEE APPROVAL OR ELIGIBILITY TO DO BUSINESS WITH THE SONOMA COUNTY TREASURER'S OFFICE.

PLEASE SUBMIT AN ELECTRONIC RESPONSE TO THIS QUESTIONNAIRE. PHYSICAL SUBMISSIONS WILL NOT BE CONSIDERED.

SECTION II – MINIMUM QUALIFICATIONS

You attest that your institution meets the following minimum qualifications:

For Categories 1 to 3,

1. Broker/Dealers must be either primary dealers or regional dealers that qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule).
2. Broker/Dealers shall be registered with National Association of Securities Dealers (NASD).
3. Broker/Dealers shall be registered with Financial Industry Regulation Authority (FINRA).
4. Broker/Dealers shall be registered with State of California.

For all Categories,

5. Under California Government Code Section 27133(c) and (d), Broker/Dealers who have exceeded the political contributions in the preceding 4 years for the County Treasurer or any member of the Board of Supervisors, or any candidate for such office, shall be prohibited from being approved. Please certify that this condition does not apply to your firm. If it does apply, please stop and do not submit your firm's application until your firm can certify this condition.
6. Broker/Dealers shall provide, on a yearly basis, up-to-date audited annual financial statements. All firms with whom the Treasurer's Office does business shall be in stable financial condition.
7. Broker/Dealers shall conduct transactions on a delivery vs payment (DVP) basis with the County's custodial bank, currently US Bank.
8. Broker/Dealers shall have been in operation for a minimum of 5 years, preceding the date of filing a response to this questionnaire.
9. Broker/Dealers shall have institutional or middle-market coverage; retail or wealth-only offices without institutional client capacity will not qualify.
10. Broker/Dealers shall provide active secondary markets in the securities they offer.

SECTION III – REQUEST FOR GENERAL INFORMATION

Applicants in Categories 1-3 need to supply:

1. Name of Broker/Dealer, local address, telephone number, fax number, and E-mail address

2. Copy of the Broker/Dealer's Form BD and MSRB G-37
3. Name(s) of representative(s), title, CRD #, telephone number, E-mail address and resume (number of years with the firm and in the industry should be included)
4. Proof of the Broker/Dealer and the proposed Representatives' registrations with NASD, FINRA, and State of California (including a copy of the Broker Check Report and U-4 Report for each proposed Representative and a copy of the summary report for the Broker/Dealer)
5. Copy of last three years of audited financial statements of Broker/Dealer. If Broker/Dealer is owned by a Holding Company, then also submit audited financial statements for the Holding Company
6. Signed acknowledgement of receipt of the County's Investment Policy. IPS can be downloaded from the link on page 1, or contact the Treasurer for a copy
7. A copy of Broker/Dealer's wiring and delivery instructions

Applicants in Categories 2 and 3 shall also include:

8. A brief description of Broker/Dealer including, but not limited to, the following: legal and ownership structure, date founded, numbers of employees, total assets, etc.
9. Proof of Broker/Dealer's qualification under SEC Rule 15C3-1 (Uniform Net Capital Rule)
10. Copy of Broker/Dealer's insurance certificate
11. Contact information of your references (at least 3 public sector clients similar to Sonoma County are preferred). County reserves the right to ask for additional references.

Applicants in Category 4 shall provide:

12. Name of Financial Institution, local address, telephone number, fax number, and E-mail address
13. A brief description of Financial Institution including, but not limited to, the following: legal and ownership structure, date founded, numbers of employees, total assets, etc.
14. Copy of Financial Institution's insurance certificate
15. Name(s) of representative(s), title, CRD # (if available), telephone number, E-mail address and resume (number of years with the firm and in the industry should be included)
16. Copy of last three years of audited financial statements of Financial Institution. If Financial Institution is owned by a Holding Company, then also submit audited financial statements for the Holding Company
17. Contact information of your references (at least 3 public sector clients similar to Sonoma County are preferred). County reserves the right to ask for additional references
18. Signed acknowledgement of receipt of the County's Investment Policy. IPS can be downloaded from the link on page 1, or contact the Treasurer for a copy
19. A copy of Financial Institution's wiring and delivery instructions

SECTION IV – QUESTIONNAIRE

ALL QUESTIONS SHALL BE ANSWERED IN THE ORDER PRESENTED BELOW. YOUR ANSWER TO EACH QUESTION SHALL BE COMPLETE YET CONCISE AND NO MORE THAN ONE PAGE.

PLEASE RESPOND TO THE QUESTIONS WHICH ARE APPLICABLE TO THE CATEGORY YOUR FIRM IS APPLYING UNDER.

1. (All Categories) What Category are you applying under? Please make sure to provide evidence supporting this choice.
2. (Categories 3 and 4) Have there been any changes in the Firm's ownership in the past five years?
3. (Categories 3 and 4) Please provide the following information as of the most recent quarter: (Note: Answers need to be specific numbers. Cross reference answers will be construed as an unanswered question.)
 - a. Debt/Equity (%)
 - b. Gross Assets (in millions)
 - c. Net Capital (in millions)
 - d. Volume of Security Transactions (in millions)
 - e. Total Liabilities (in millions)
 - f. Total Shareholders' Equity (in millions)
4. (Categories 3 and 4) Which regulatory agencies is your Firm is examined by and/or subject to its rules and regulations?
5. (All Categories) Has your Firm and/or any of your employees been subject to a regulatory or state/federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the buy and sell of the securities in the past five years? If yes, please explain.
6. (All Categories) Has your Firm been involved in any past or pending litigation regarding your business and brokerage practices?
7. (All Categories) Have any of your Firm's public-sector clients ever sustained a loss on a securities transaction arising from your misunderstanding or your misrepresentation of the risk characteristics of the investment instrument? If yes, please explain.
8. (All Categories) Has a public-sector client ever claimed in writing that your Firm was responsible for investment loss? If yes, please explain.
9. (Categories 3 and 4) Does the Firm carry full SIPC insurance coverage? If yes, please provide the evidence. If no, please explain why.
10. (Categories 3 and 4) How many and what percentage of your Firm's transactions failed last year? What were the reasons for failure?
11. (Category 3 only) Is your Firm a Broker or a Dealer?
12. (Categories 2, 3 and 4) In what ways can your Firm add value to your clients' investment process?
13. (All Categories) What is your Firm's experience with California public agency clients?
14. (All Categories) Is your Firm familiar with California Government Code sections 53601 and 53635?
15. (All Categories) Does your Firm use a clearing agent? If so, please provide the name of the clearing agent.
16. (All Categories) Which of the following investment instruments does the Firm specialize in?
 - a. US Treasuries (notes/bonds/bills/floaters/TIPS/strips)
 - b. Agencies (bonds/discount notes/callables)
 - c. Supranational bonds
 - d. Corporate bonds

- e. Municipal bonds
 - f. Commercial Paper
 - g. Negotiable Certificates of Deposit/Yankee Certificates of Deposit
 - h. Mortgage-Backed Securities/Asset Backed Securities
 - i. Repurchase Agreements
 - j. Floating Rate Notes
 - k. Others (please specify)
17. (All Categories) In what product area(s) does your Firm qualify as a market maker and/or have a strong market presence? Please explain.
 18. (All Categories) What's your typical custody and delivery process?
 19. (Categories 2, 3, and 4) What types of research and analytics can your Firm provide to public sector clients? Please provide samples.
 20. (All Categories) What reports, transaction and/or confirmations your Firm provides to the clients? Please provide samples.
 21. (Categories 2, 3, and 4) What training would your Firm offer to the staff of the Treasurer's Office?
 22. (All Categories) Please provide a description of the percentage of your proposed registered Representative's business mix between institutional clients and retail or wealth clients.
 23. (All Categories) The County conducts the vast majority of its business via Bloomberg. Is your firm active on Bloomberg? Is your firm capable of providing a Bloomberg ticket (e.g., SXT or BXT) for every transaction?

SECTION V – CERTIFICATION

QUESTIONNAIRE:

I _____ hereby certify that the information provided to the Sonoma
 (Print name of Compliance Officer)
 County Auditor-Controller-Treasurer-Tax Collector's Office through this Broker/Dealer Due Diligence Questionnaire is true and correct to the best of my knowledge and I am authorized to execute this Questionnaire on behalf of the Firm.

 Signature

 Date

INVESTMENT POLICY:

I _____ hereby certify that I have read the Sonoma County Investment
 (Print name of Representative)
 Policy (the "Policy") and that I understand the objectives and constraints set forth by the Policy which will be amended from time to time by the Treasurer's Office.

 Signature

 Date