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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 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.

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

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.
5. 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.
6. Broker/Dealers shall conduct transactions on a delivery vs payment (DVP) basis with the County's custodial bank, currently US Bank.
7. Broker/Dealers shall have been in operation as a Broker or Dealer for a minimum of 5 years, preceding the date of filing a response to this questionnaire.
8. Broker/Dealers shall have institutional or middle-market coverage; retail or wealth-only offices without institutional client capacity will not qualify.
9. Broker/Dealers shall provide active secondary markets in the securities they offer.

SECTION III – REQUEST FOR GENERAL INFORMATION

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. Proof of Broker/Dealer's qualification under SEC Rule 15C3-1 (Uniform Net Capital Rule)
4. 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.
5. 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)
6. 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)
7. Copy of Broker/Dealer's insurance certificate
8. 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
9. 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
10. 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
11. A copy of Broker/Dealer'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.

1. Have there been any changes in the Firm's ownership in the past five years?

2. 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)
3. Which regulatory agencies is your Firm is examined by and/or subject to its rules and regulations?
4. 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.
5. Has your Firm been involved in any past or pending litigation regarding your business and brokerage practices?
6. 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.
7. Has a public-sector client ever claimed in writing that your Firm was responsible for investment loss? If yes, please explain.
8. Does the Firm carry full SIPC insurance coverage? If yes, please provide the evidence. If no, please explain why.
9. How many and what percentage of your Firm's transactions failed last year? What were the reasons for failure?
10. Is your Firm a primary dealer or a regional dealer?
11. Is your Firm a Broker or a Dealer?
12. In what ways can your Firm add value to your clients' investment process?
13. What is your Firm's experience with California public agency clients?
14. Is your Firm familiar with California Government Code sections 53601 and 53635?
15. Does your Firm use a clearing agent? If so, please provide the name of the clearing agent.
16. 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. Banker's Acceptances
 - j. Repurchase Agreements
 - k. Floating Rate Notes
 - l. Others (please specify)
17. In what product area(s) does your Firm qualify as a market maker and/or have a strong market presence? Please explain.

18. What's your typical custody and delivery process?
19. What types of research and analytics can your Firm provide to public sector clients? Please provide samples.
20. What reports, transaction and/or confirmations your Firm provides to the clients? Please provide samples.
21. What training would your Firm offer to the staff of the Treasurer's Office?
22. Please provide a description of the percentage of your proposed registered Representative's business mix between institutional clients and retail or wealth clients.
23. 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