

ATTORNEY GENERAL OF THE STATE OF NEW YORK

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IN THE MATTER OF GKM NEWPORT GENERATION :  
CAPITAL SERVICES, LLC :  
:  
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Investigation  
No. 2010-017

**ASSURANCE OF DISCONTINUANCE  
PURSUANT TO EXECUTIVE LAW § 63(15)**

In March 2007, the Office of the Attorney General of the State of New York (the “Attorney General”), commenced an industry-wide investigation (the “Investigation”), pursuant to Article 23-A of the General Business Law (the “Martin Act”), into allegations of “pay-to-play” practices and undisclosed conflicts of interest at public pension funds, including the New York State Common Retirement Fund. This Assurance of Discontinuance (“Assurance”) contains the findings of the Attorney General’s Investigation and the relief agreed to by the Attorney General and GKM Newport Generation Capital Services, LLC, its partners, predecessors, successors, subsidiaries, and affiliates, as well as in their individual capacities, the founding principals (together, “GKM”).

WHEREAS, the Attorney General finds that trillions of dollars in public pension funds in the United States are held in trust for millions of retirees and their families and these funds must be protected from manipulation for personal or political gain;

WHEREAS, the Attorney General finds that public pension fund assets must be invested solely in the best interests of the beneficiaries of the public pension fund;

WHEREAS, the Attorney General finds that the New York State Common Retirement Fund in particular is the largest asset of the State and, having been valued at

\$150 billion at the time of the events described in this Assurance, was larger than the entire State budget this year;

WHEREAS, the Attorney General finds that public pension funds are a highly desirable source of investment for private equity firms and hedge funds;

WHEREAS, the Attorney General finds that private equity firms and hedge funds frequently use placement agents, finders, lobbyists, and other intermediaries (herein, “placement agents”) to obtain investments from public pension funds;

WHEREAS, the Attorney General finds that these placement agents are frequently politically-connected individuals selling access to public money;

WHEREAS, the Attorney General finds that the use of placement agents to obtain public pension fund investments is a practice fraught with peril and prone to manipulation and abuse;

WHEREAS, the Attorney General finds that the legislature has designated the New York State Comptroller, a statewide elected official, as the sole trustee of the Common Retirement Fund, vesting the Comptroller with tremendous powers over the Common Retirement Fund, including the ability to approve investments and contracts worth hundreds of millions of dollars;

WHEREAS, the Attorney General finds that persons and entities doing business before the State Comptroller’s Office are frequently solicited for and in fact make political contributions to the Comptroller’s campaign before, during, and after they seek and obtain business from the State Comptroller’s Office;

WHEREAS, the Attorney General finds that this practice of making campaign contributions while seeking and doing business before the Comptroller’s Office creates at

least the appearance of corrupt “pay to play” practices and thereby undermines public confidence in State government in general and in the Comptroller’s Office in particular;

WHEREAS, the Attorney General finds that the system must be reformed to eliminate the use of intermediaries selling access to public pension funds, and to eliminate the practice of making campaign contributions to publicly-elected trustees of public pension funds while seeking and doing business before those public pension funds;

WHEREAS, the Attorney General is the legal adviser of the Common Retirement Fund under New York’s Retirement and Social Security Law §14;

WHEREAS, GKM acknowledges the problems with “pay-to-play” practices and conflicts of interest inherent in the use of placement agents and other intermediaries to obtain public pension fund investments; and

WHEREAS, GKM disapproves of such practices, recognizes the need for reform, and embraces the Attorney General’s Reform Code of Conduct attached to this Assurance and incorporated by reference herein; and

WHEREAS, GKM has fully cooperated with the Attorney General’s investigation.

**I. GKM**

1. GKM is a private equity firm headquartered in Los Angeles, California. GKM manages private equity funds, and private equity fund-of-funds. GKM is licensed to do business in the State of New York.

## **II. THE NEW YORK OFFICE OF THE STATE COMPTROLLER**

2. The New York Office of the State Comptroller (the “OSC”) administers the New York State Common Retirement Fund (the “CRF”). The CRF is the retirement system for New York State and many local government employees. Most recently valued at \$122 billion, the CRF is by far the single largest monetary fund in State government and the third-largest public employee pension fund in the country. The New York State Comptroller is designated by the legislature as the sole trustee responsible for faithfully managing and investing the CRF for the exclusive benefit of over one million current and former State employees and retirees.

3. The Comptroller is a statewide elected official and is the State’s chief fiscal officer. The Comptroller is the sole trustee of the CRF, but typically appoints a Chief Investment Officer and other investment staff members who are vested with authority to make investment decisions. The Comptroller, the Chief Investment Officer and CRF investment staff members owe fiduciary duties and other duties to the CRF and its members and beneficiaries.

4. The primary functions of the OSC are to perform audits of state government operations and to manage the CRF. The CRF invests in specific types of assets as set forth by statute. The statute’s basket provision allows a percentage of the CRF portfolio’s investments to be held in assets not otherwise specifically delineated in the statute. From 2003 through 2006, the CRF made investments that fell into this “basket” through its Division of Alternative Investments. This division was primarily comprised of staff members or investment officers who reported through the Director

of Alternative Investments to the Chief Investment Officer, who reported to the Comptroller with respect to investment decisions.

5. During the administration of Alan Hevesi, who was Comptroller from January 2003 through December 2006 (“Hevesi”), the CRF invested the majority of its alternative investments portfolio in private equity funds. Beginning in approximately 2005, the CRF also began to invest in hedge funds. The CRF generally invested in private equity funds as one of various limited partners. In these investments, a separate investment manager generally served as the general partner which managed the day-to-day investment. The alternative investment portfolio also included investments in fund-of-funds, which are investments in a portfolio of private equity or hedge funds. The CRF invested as a limited partner in fund-of-funds. In other words, the CRF would place a lump sum with a fund and that fund would essentially manage the investment of these monies by investing in a portfolio of other sub-funds.

6. The CRF was a large and desirable source of investments funds. Gaining access to and investments from the CRF was a competitive process, and frequently the investment manager who served as the general partner of the funds retained third parties known as “placement agents” or “finders” (hereinafter “placement agents”) to introduce and market them to CRF. If an investment manager paid a fee to the placement agent in connection with an investment made by the CRF, the CRF required that the investment manager make a written disclosure of the fee and the identity of the placement agent to the Chief Investment Officer or to the manager of the fund-of-funds.

7. Once the CRF was introduced to and interested in the fund, the fund was referred to one of CRF's outside consultants for due diligence. At the same time, a CRF investment officer was assigned to review and analyze the transaction. If the outside consultant found the transaction suitable, the investment officer then determined whether to recommend the investment to the Director of Alternative Investments.

8. If the investment officer recommended a proposed private equity investment, and the Director of Alternative Investments concurred, then the recommendation was forwarded to the Chief Investment Officer for approval. If the Chief Investment Officer approved, he recommended the investment to the Comptroller, whose approval was required before the CRF would make a direct investment. There was a similar process for hedge fund investments, which required the recommendation of the senior investment officer to the Chief Investment Officer and the Chief Investment Officer's approval and recommendation to the Comptroller. Given this process, the Chief Investment Officer could not make an investment unless the proposed investment had been vetted by an outside consultant and recommended by multiple levels of investment staff, including the Director of Alternative Investments, the Chief Investment Officer and the Comptroller.

9. Placement agents and other third parties who are engaged in the business of effecting securities transactions and who receive a commission or compensation in connection with that transaction are required to be licensed and affiliated with broker-dealers regulated by an entity now known as the Financial Industry Regulatory Authority ("FINRA"). To obtain such licenses, individual agents are required to pass the "Series 7" or equivalent examination administered by FINRA.

### **III. THE MORRIS/LOGLISCI INDICTMENT**

10. As a result of the Investigation, a grand jury returned a 123-count indictment (the “Indictment”) of Henry “Hank” Morris, the chief political officer to Hevesi, and David Loglisci, the CRF’s Director of Alternative Investments and then Chief Investment Officer. The Indictment charges Morris and Loglisci with enterprise corruption and multiple violations of the Martin Act, money laundering, grand larceny, falsifying business records, offering a false instrument for filing, receiving a reward for official misconduct, bribery, rewarding official misconduct and related offenses. The Indictment alleges the following facts in relevant part as set forth in this Part III of the Assurance.

11. Morris, the chief political advisor to Hevesi, and Loglisci, joined forces in a plot to sell access to billions of taxpayer and pension dollars in exchange for millions of dollars in political and personal gain. Morris steered to himself and certain associates an array of investment deals from which he drew tens of millions of dollars in so-called placement fees. He also used his unlawful power over the pension fund to extract vast amounts of political contributions for the Comptroller’s re-election campaign from those doing business and seeking to do business with the CRF.

12. In November 2002, Hevesi was elected to serve as Comptroller, and took office on January 1, 2003. Prior to and after the 2002 election, Morris served as Hevesi’s paid chief political consultant and advisor. Upon Hevesi taking office in 2003, Morris began to exercise control over certain aspects of the CRF, including the alternative investment portfolio.

13. Morris asserted control over CRF business by recommending, approving, securing or blocking alternative investment transactions. Morris also influenced the CRF to invest for the first time in hedge funds, an asset class that was perceived to be riskier than private equity funds, so that Morris and his associates could reap fees from hedge fund transactions involving the CRF.

14. Morris participated in discussions to remove and promote certain executive staff at the CRF. In or about April 2004, for example, Morris and certain other high-ranking OSC officials determined that the original Chief Investment Officer of the CRF was not sufficiently accommodating to Morris and his associates. Morris participated in the decision to remove the original Chief Investment Officer and promote Loglisci to that position.

15. Beginning in 2003, Morris also began to market himself as a placement agent to private equity and hedge funds seeking to do business with the CRF. At the same time that Morris was profiting through investment transactions involving the CRF, Morris participated with Loglisci in making decisions about investments. In particular, during the Hevesi administration, Morris occupied three conflicting roles at the CRF although he had no official position there: (1) he advised and helped manage the CRF's alternative investments, acting as a de facto Chief Investment Officer; (2) he brokered deals between the CRF and politically-connected outside investment funds offering investment management services, earning millions in undisclosed fees as a placement agent; and (3) he had a commercial, personal and political relationship as the Comptroller's chief political strategist and fundraiser.



16. Through his role at the CRF, Morris became a de facto and functional fiduciary to the CRF and its members and beneficiaries, and owed a fiduciary duty to act in the best interests of the CRF and its members and beneficiaries. However, Morris breached this duty and used his influence over the CRF investment process to enrich himself and other associates. Morris's multiple roles generated conflicts of interest, which Loglisci had knowledge of and failed to disclose.

17. Loglisci ceded decision-making authority to Morris regarding particular investments and investment strategies to be pursued and approved by the CRF. During this time, Loglisci was also aware that Morris had an ongoing relationship with the Comptroller. Loglisci was a fiduciary to the CRF and a public officer with duties pursuant to the Public Officers Law and therefore had a duty to disclose his own and others' actual and potential conflicts of interests. Loglisci failed to disclose Morris's role to members and beneficiaries of the CRF through the CRF's annual report or otherwise. Loglisci and Morris concealed their corrupt arrangement and Morris's role in investment transactions from the investment staff, ethics officers, and lawyers at CRF. Additionally, Loglisci failed to disclose his own conflicts of interest involving the financing and distribution of his brother's film, "Chooch," by Morris and other persons receiving an investment commitment from the CRF.

18. In sum, from 2003 through 2006, through Morris's and Loglisci's actions as described above, the process of selecting investments at the CRF – investments of billions of dollars – was skewed and corrupted to favor political associates, family and friends of Morris and Loglisci, and other officials in the Office of the State Comptroller. Morris and Loglisci corrupted the alternative investment selection

process by making investment decisions based on the goal of rewarding Morris and his associates, rather than based exclusively on the best interests of the CRF and its members and beneficiaries. Morris and Loglisci favored deals for which Morris and his associates acted as placement agents, or had other financial interests, which interests were often concealed from investment staff and others. The scheme was manifested in several ways:

- a. In some instances, Morris and Loglisci blocked proposed CRF investments where the private equity fund or hedge fund would not pay them or their associates.
- b. In yet others, Morris inserted his associates as placement agents, who then shared fees with Morris and on others, Morris, Loglisci and their associates inserted placement agents into proposed transactions as a reward for past political favors.
- c. On one transaction, Morris was a principal of an investment in which Morris served as placement agent.
- d. On some transactions, Morris was the placement agent through a broker/dealer, Searle & Company (“Searle”) or another entity controlled by Morris and Morris shared fees with an associate. On certain other transactions, the structure was reversed, so that an associate of Morris was the placement agent, who shared fees with Morris. These fee sharing arrangements were often not disclosed to fund managers or to the CRF investment staff, other than Loglisci.

19. Morris concealed his conflicting roles as political consultant, CRF gatekeeper and CRF placement agent from the CRF alternative investment staff and others. Morris also concealed financial relationships he had with Loglisci and another OSC official. At times, Morris concealed his role as CRF investment gatekeeper from funds that hired him as a placement agent. In some instances, Morris obtained placement agreements and fees for himself and others from certain fund managers through false

and misleading representations and material omissions, including claims that Searle was the official placement agent for the CRF.

20. Loglisci helped to conceal his and Morris's scheme by maintaining exclusive custody of letters to the CRF that disclosed the use of placement agents and fees paid relating to certain CRF investment transactions.

21. As a result of Morris and Loglisci's scheme, Morris and his associates earned fees on more than five billion dollars in commitments to more than twenty private equity funds, hedge funds, and fund-of-funds during the Hevesi administration. These deals generated tens of millions of dollars in fees to Morris and his associates.

#### **IV. FINDINGS AS TO GKM**

22. The Investigation revealed that in late 2003, GKM sought an investment from the CRF. At that time, GKM was a private equity fund manager with approximately \$14 million under management and virtually no track record as an entity, although its founding principals had experience in private equity.

23. In or about November of 2003, a GKM partner ("GKM Partner 1"), who worked out of the company's Rhode Island office, and was primarily responsible for marketing at GKM, was introduced to a politically connected developer (the "Finder"). The Finder had formerly served as the chief of staff to a prominent New York City Council member, and was introduced to GKM Partner 1 as the placement agent GKM should use in order to be successful at CRF. On or about September 1, 2007, GKM Partner 1 ceased being a partner of GKM and has since had no affiliation with GKM.

24. The Finder had no experience as a placement agent. Nor was the Finder registered with FINRA or other relevant authorities. The Finder held no securities

licenses of any kind, which he admitted to GKM Partner 1. The Finder made it clear to GKM Partner 1 that his only relevant credential was his relationship with decision-makers at the CRF. In fact, at that introduction, GKM Partner 1 had to explain to the Finder how the private equity placement business generally worked, and the approximate amount of compensation the Finder could expect to receive on a private equity placement.

25. GKM had several marketing meetings with the Finder, David Loglisci and other investment staff at the CRF in or about December 2003 and January 2004. Shortly thereafter, the CRF began its diligence process on GKM.

26. In or about May or June 2004, the Finder explained to GKM Partner 1 that he was going into business with Hank Morris, and that the two were going to form an entity, Purpose LLC (“Purpose”). The Finder wanted Purpose to enter into the placement agreement with GKM, and explained that through Purpose, the Finder and Morris would be sharing fees paid by GKM on any CRF commitment. Purpose and GKM formalized their agreement on or about August 10, 2004. According to the agreement, Purpose was to receive 75 basis points (0.75%) on all capital invested with GKM by the CRF, in addition to 10% of carried interest earned by GKM on the CRF investment.

27. All beneficial owners of Purpose (i.e., the Finder and Morris) were identified in the August 10, 2004 placement agreement.

28. GKM understood that Morris was Hevesi’s political consultant. GKM never sought to determine whether Morris was properly licensed or affiliated with the appropriate regulatory authorities with respect to his role in placing GKM with the CRF.

29. The CRF committed \$400 million to GKM's GKM/N.Y. Venture Capital Fund in or about October 2004. Subsequently, GKM began paying quarterly fees to Purpose.

30. In or about December 2004, the Finder solicited GKM Partner 1 to contribute to Hevesi's reelection campaign. GKM Partner 1 notified his partners of the Finder's solicitation in an email message written on or about December 14, 2004. In that message, GKM Partner 1 characterized the solicitation as "getting pressure" to contribute to Hevesi. Ultimately between in or about May 2005 and in or about October 2006, GKM, as well as individuals associated with GKM, contributed approximately \$50,000 to Hevesi's reelection campaign.

31. Subsequent to receiving the initial \$400 million commitment from the CRF, GKM began to anticipate a second allocation in or about late 2005. In or about September of 2005, GKM Partner 1 wrote an email message to the other GKM partners explaining how important it was to maintain good relations with the Finder. GKM Partner 1 wrote, "[W]e should be endearing ourselves to [the Finder], not aggravating him... A disgruntled [Finder] which would lead to a disgruntled Hank Morris might jeopardize our chance for that 2nd allocation[. ] Remember, 'Politics' trumps everything else when dealing with public pension funds."

32. On or about August 24, 2006, GKM entered into a second placement agreement with Purpose in contemplation of receiving an additional \$400 million allocation from the CRF. For this second agreement, GKM agreed to pay Purpose 50 basis points (0.50%) on capital invested by the CRF, in addition to 10% of carried interest.

33. In or about December 2006, CRF increased its capital commitment to GKM's GKM/N.Y. Venture Capital Fund from \$400 to \$800 million.

34. In total, Purpose received approximately \$658,000 in fees from GKM, of which The Finder received approximately \$477,000 through an entity he controlled. Purpose retained approximately \$180,000.

35. To date, the CRF has paid GKM approximately \$7.3 million in management fees on its investment in the GKM/N.Y. Venture Capital Fund. The GKM/N.Y. Venture Capital Fund has not generated any carried interest.

36. With respect to CRF's investment, GKM was obligated to disclose its use of any placement agents to CRF, according to the terms of a side letter agreements entered into with the CRF. In its written disclosure to the CRF, GKM identified Purpose, but did not expressly disclose either the Finder or Morris.

## **AGREEMENT**

WHEREAS, GKM wishes to resolve the Investigation and is willing to abide by the terms of this Agreement set forth below;

WHEREAS, GKM does not admit or deny the Attorney General's findings as set forth in this Assurance;

WHEREAS, the Attorney General is willing to accept the terms of the Assurance pursuant to New York Executive Law § 63(15), and to discontinue, as described herein, the Investigation of GKM;

WHEREAS, the parties believe that the obligations imposed by this Assurance are prudent and appropriate;

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the parties, as follows:

### **I. CODE OF CONDUCT**

37. The Attorney General and GKM hereby enter into the attached Public Pension Fund Reform Code of Conduct, which is hereby incorporated by reference as if fully set forth herein.

## **II. PAYMENT**

38. Upon the signing of this Assurance, GKM hereby conveys one hundred percent (100%) of any direct and indirect interest it may have or have had in NY Legacy Venture Capital Fund, L.P. (the "GKM Fund" and f/k/a GKM Newport/N.Y. Venture Capital Fund, L.P.). This conveyance includes but is not limited to any interest GKM had or may have had as general partner of the GKM Fund, including with respect to the capital account, paid-in capital, and any right to carried interest of the general partner. This transfer is for the benefit of and shall be deemed restitution to the CRF.

39. Upon the signing of this Assurance, GKM hereby releases one hundred percent (100%) of any accrued but unpaid management fees for which it may be entitled in connection with services provided to the GKM Fund. This transfer is for the benefit of and shall be deemed restitution to the CRF.

40. Upon the signing of this Assurance, GKM hereby releases one hundred percent (100%) of any "Wind-Down Payment" pursuant to Section 9.4 of the GKM Fund's limited partnership agreement. This transfer is for the benefit of and shall be deemed restitution to the CRF.

41. GKM agrees that it shall not, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, payment made pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to paragraph 40 above.

### **III. GENERAL PROVISIONS**

42. GKM admits the jurisdiction of the Attorney General. GKM is committed to complying with relevant laws to include the Martin Act, General Business Law § 349, and Executive Law § 63(12).

43. The Attorney General retains the right under Executive Law § 63(15) to compel compliance with this Assurance. Evidence of a violation of this Assurance proven in a court of competent jurisdiction shall constitute prima facie proof of a violation of the Martin Act, General Business Law § 349, and/or Executive Law § 63(12) in any civil action or proceeding hereafter commenced by the Attorney General against GKM.

44. Should the Attorney General prove in a court of competent jurisdiction that a material breach of this Assurance by GKM has occurred, GKM shall pay to the Attorney General the cost, if any, of such determination and of enforcing this Assurance, including without limitation legal fees, expenses and court costs.

45. If GKM defaults on any obligation under this Assurance, the Attorney General may terminate this Assurance, at his sole discretion, upon 10 days written notice to GKM. GKM agrees that any statute of limitations or other time-related defenses applicable to the subject of the Assurance and any claims arising from or relating thereto are tolled from and after the date of this Assurance. In the event of such termination, GKM expressly agrees and acknowledges that this Assurance shall in no way bar or otherwise preclude the Attorney General from commencing, conducting or prosecuting any investigation, action or proceeding, however denominated, related to the Assurance, against GKM, or from using in any way any statements, documents or other materials produced or provided by GKM prior to or after the date of this



Assurance, including, without limitation, such statements, documents or other materials, if any, provided for purposes of settlement negotiations, except as otherwise provided in a written agreement with the Attorney General.

46. Except in an action by the Attorney General to enforce the obligations of GKM in this Assurance or in the event of termination of this Assurance by the Attorney General, neither this Assurance nor any acts performed or documents executed in furtherance of this Assurance: (a) may be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability or lack of wrongdoing or liability; or (b) may be deemed or used as an admission of or evidence of any such alleged fault or omission of GKM in any civil, criminal or administrative proceeding in any court, administrative or other tribunal. This Assurance shall not confer any rights upon persons or entities who are not a party to this Assurance.

47. GKM has fully and promptly cooperated in the Investigation, shall continue to do so, and shall use its best efforts to ensure that all the current and former officers, directors, trustees, agents, members, partners and employees of GKM (and any of GKM's parent companies, subsidiaries or affiliates) cooperate fully and promptly with the Attorney General in any pending or subsequently initiated investigation, litigation or other proceeding relating to the subject matter of the Assurance. Such cooperation shall include, without limitation, and on a best efforts basis:

- a. Production, voluntarily and without service of a subpoena, upon the request of the Attorney General, of all documents or other tangible evidence requested by the Attorney General, and any compilations or summaries of information or data that the Attorney General requests that GKM (or GKM's parent companies, subsidiaries or affiliates) prepare, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

- b. Without the necessity of a subpoena, having the current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees of GKM (and of GKM's parent companies, subsidiaries or affiliates) attend any Proceedings (as hereinafter defined) in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and having such current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees answer any and all inquiries that may be put by the Attorney General to any of the them at any proceedings or otherwise; "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings or other proceedings;
- c. Fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession, custody or control (or the possession, custody or control of GKM's parent companies, subsidiaries or affiliates) relevant to all inquiries made by the Attorney General concerning the subject matter of the Assurance, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges; and
- d. Making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in the Assurance and to answer questions, except to the extent such presentations call for the disclosure of information protected by the attorney-client and/or work product privileges.

48. In the event GKM fails to comply with paragraph 47 of the Assurance, the Attorney General shall be entitled to specific performance, in addition to other available remedies.

49. The Attorney General has agreed to the terms of this Assurance based on, among other things, the representations made to the Attorney General and his staff by GKM, its counsel, and the Attorney General's Investigation. To the extent that representations made by GKM or its counsel are later found to be materially incomplete or inaccurate, this Assurance is voidable by the Attorney General in his sole discretion.

50. GKM shall, upon request by the Attorney General, provide all documentation and information reasonably necessary for the Attorney General to verify compliance with this Assurance.

51. All notices, reports, requests, and other communications to any party pursuant to this Assurance shall be in writing and shall be directed as follows:

If to GKM:

Ted Poretz  
Ellenoff Grossman & Schole LLP  
150 E. 42d Street  
New York, NY 10017

If to the Attorney General:

Office of the Attorney General of the State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, New York 10271  
Attn: Linda Lacewell

52. This Assurance and any dispute related thereto shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

53. GKM consents to the jurisdiction of the Attorney General in any proceeding or action to enforce this Assurance.

54. GKM agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in this Assurance or creating the impression that this Assurance is without factual basis. Nothing in this paragraph affects GKM's: (a) testimonial obligations; or (b) right to take legal or factual positions in litigation or other legal proceedings to which the Attorney General is not a party.

55. This Assurance may not be amended except by an instrument in writing signed on behalf of the parties to this Assurance.

56. This Assurance constitutes the entire agreement between the Attorney General and GKM and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Assurance. No representation, inducement, promise, understanding, condition or warranty not set forth in this Assurance has been relied upon by any party to this Assurance.

57. In the event that one or more provisions contained in this Assurance shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

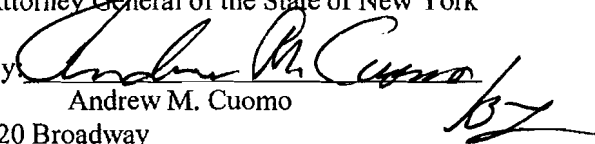
58. This Assurance may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto.

59. Upon execution by the parties to this Assurance, the Attorney General agrees to suspend, pursuant to Executive Law § 63(15), this Investigation as and against GKM, and its current partners, directors, members, officers and employees, and its beneficial owners, solely with respect to its marketing of investments to public pension funds in New York State.

60. Any payments and all correspondence related to this Assurance must reference  
AOD # 2010-017


**WHEREFORE**, the following signatures are affixed hereto on the dates set forth  
below.

**ANDREW M. CUOMO**  
Attorney General of the State of New York

By:   
Andrew M. Cuomo  
120 Broadway  
25<sup>th</sup> Floor  
New York, New York 10271  
(212) 416-6199

Dated: April 14, 2010


**GKM NEWPORT GENERATION CAPITAL SERVICES LLC**

By:   
Eric Bushner  
ITS: Managing Member & CEO

Dated: April 14, 2010

**JONATHAN BLOCH**  
By:   
Jonathan Bloch

Dated: April 14, 2010

**ERICA BUSHNER**  
By:   
Erica Bushner

Dated: April 14, 2010

## **PUBLIC PENSION FUND REFORM CODE OF CONDUCT**

In response to the New York Attorney General's investigation revealing widespread corruption in public pension fund management and the recent national crisis of public corruption involving widespread misuse of placement agents, lobbyists and other politically-connected intermediaries to improperly gain access to and influence the investment decision-making of state and local Public Pension Fund trustees, this Code of Conduct establishes a new, higher level of transparency and accountability for investment firms that seek to attract investment and Investment Management Services business from Public Pension Funds.

The Investment Firm acknowledges that the assets of all Public Pension Funds must be invested and managed for the sole and exclusive benefit of Public Pension Fund beneficiaries in accordance with the strictest fiduciary and public integrity standards. Accordingly, in addition to all applicable federal, state and local laws, rules and regulations that govern investment firms seeking to attract investment from or provide Investment Management Services to Public Pension Funds, the Investment Firm hereby agrees to implement this Code of Conduct to govern its future conduct in connection with all of its transactions with Public Pension Funds located in the United States.

The Public Pension Fund Reform Code of Conduct accomplishes the following:

- A. A Ban on Placement Agents and Lobbyists:** The Investment Firm is prohibited from using third-party intermediaries to influence the investment decision-making process at Public Pension Funds;
- B. A Ban on Campaign Contributions to Avoid Pay to Play:** The Investment Firm, its principals, agents, employees and their immediate family members are prohibited from making campaign contributions above \$300 to Officials of Public Pension Funds that the Investment Firm is soliciting for business or which have an investment in an Investment Firm's Sponsored Fund;
- C. Increased Transparency Through Disclosure:** The Investment Firm is required to disclose information necessary to make the interactions between the Investment Firms and the Public Pension Funds from which they seek business more transparent. The Code of Conduct will require disclosure of information relating to campaign contributions, investment fund personnel and payments to third-parties;
- D. A Higher Standard of Conduct In Connection With Public Pension Fund Business:** The Investment Firm is held to a higher, fiduciary standard of conduct with regard to its interactions with Public Pension Fund Officials and Public Pension Fund Advisors and is prohibited from, among other things, engaging in "revolving door" employment practices, misusing

confidential information, and providing improper gifts to employees of Public Pension Funds; and

- E. Strengthened Conflicts of Interest Policies:** The Investment Firm is required to promptly disclose any conflicts of interest, whether actual or apparent, to Public Pension Fund Officials or law enforcement authorities where appropriate.

#### PLACEMENT AGENTS AND LOBBYISTS PROHIBITED

1. No Placement Agents or Lobbyists. The Investment Firm shall not directly or indirectly hire, engage, utilize, retain or compensate any person or entity, including but not limited to any Placement Agent, Lobbyist, Solicitor, intermediary or consultant, to directly or indirectly communicate for any purpose with any Official, Public Pension Fund Official, Public Pension Fund Advisor, or other Public Pension Fund fiduciary or employee in connection with any transaction or investment between the Investment Firm and a Public Pension Fund, including but not limited to (a) introducing, finding, referring, facilitating, arranging, expediting, fostering or establishing a relationship with, or obtaining access to the Public Pension Fund, (b) soliciting an investment or Investment Management Services business from the Public Pension Fund, or (c) influencing or attempting to influence the outcome of any investment or other financial decision by a Public Pension Fund,.
2. Exception: Paragraph 1 shall not apply to: (a) any partner, Executive Officer, director or bona fide Employee of the Investment Firm who is acting within the scope of his or her standard professional duties on behalf of the Investment Firm, (b) any person or entity whose sole basis of compensation from the Investment Firm is the actual provision of legal, accounting, engineering, real estate or other

professional advice, services or assistance that is unrelated to any solicitation, introduction, finding, or referral of clients to the Investment Firm or the brokering, fostering, establishing or maintaining a relationship between the Investment Firm and a Public Pension Fund, or (c) lobbying of a government or legislature on issues unrelated to investment or other financial decisions by a Public Pension Fund, Public Pension Fund Officials or Public Pension Fund Advisors.

### LIMITATION ON CAMPAIGN CONTRIBUTIONS

3. No Campaign Contributions or Solicitations: It shall be a violation of this Code of Conduct:
- (a) For the Investment Firm to accept, manage or retain an investment from, or provide Investment Management Services to, a Public Pension Fund within two years after a Contribution to an Official or Public Pension Fund Official is made by:
    - (i) The Investment Firm;
    - (ii) Any Related Party or Relative of a Related Party (including a person who becomes a Related Party within two years after a contribution to an Official or Public Pension Fund Official); or
    - (iii) Any political party to aid an Official or Public Pension Fund Official, or political action committee controlled by the Investment Firm, Related Party, or Relative of a Related Party of the Investment Firm; and
  - (b) For the Investment Firm, Related Party, or Relative of a Related Party:
    - (i) To solicit any person or political party or political action committee to make, solicit or coordinate any Contribution to an Official or Public Pension Fund Official of a Public Pension Fund from which the Investment Firm has accepted an investment or to which the Investment Firm is currently providing or seeking to provide Investment Management Services for compensation; or



- (ii) To do anything indirectly which, if done directly, would result in a violation of this section.
  - (c) Exception. Paragraph (3)(a) of this section does not apply to Contributions made by a Related Party or Relative of a Related Party to an Official or Public Pension Fund Official for whom the Related Party or Relative of a Related Party was entitled to vote at the time of the Contribution and that in the aggregate do not exceed \$300 from each person or entity to any one Official or Public Pension Fund Official, per election.
- 4. Exception: Any Contribution or solicitation of a Contribution made 14 days prior to the effective date of this Code of Conduct is exempt from the prohibitions contained in paragraph 3.
- 5. Internal Procedures: Within 90 days, the Investment Firm shall adopt internal written procedures to monitor and ensure compliance with paragraph 3 and provide a copy of those procedures to the Office of the New York Attorney General (the “OAG”).
- 6. Enforcement: In the documentation of an investment by a Public Pension Fund in the Investment Firm, the Investment Firm will certify to the Public Pension Fund that to its knowledge after due inquiry it is in compliance with paragraph 3 of this Code of Conduct and that it will comply with paragraph 3 during the term of such investment.

## DISCLOSURES

- 7. Disclosure of Political Contributions:
  - (a) As soon as practicable prior to the closing of an investment or engagement to provide Investment Management Services for compensation to a Public Pension Fund, the Investment Firm shall disclose all Contributions by the

Investment Firm, Executive Officers, Relatives of Executive Officers, investor relations personnel of the Investment Firm, and any other Investment Firm personnel primarily responsible for communicating with, or responsible for soliciting, the Public Pension Fund, in the previous two calendar years in any amount made to or on behalf of any Official, Public Pension Fund Official, fiduciary of the Public Pension Fund, political party, state or county political committee, political action committee or candidate for state or federal elected office.

- (b) During the term of an investment or engagement to provide Investment Management Services for compensation to a Public Pension Fund, the Investment Firm shall by January 31, disclose all Contributions made pursuant to paragraph 3(c) above in the prior calendar year, regardless of amount, made to or on behalf of any Official, Public Pension Fund Official, fiduciary of the Public Pension Fund, political party, state or county political committee, political action committee or candidate for state or federal elected office.
  
- (c) For all such Contributions, the Investment Firm shall disclose:
  - (i) The name and address of the contributor and the connection to the Investment Firm;
  - (ii) The name and title of each person receiving the contribution and the office or position for which her or she is a candidate;
  - (iii) The amount of the contribution; and
  - (iv) The date of the contribution.

8. Disclosure of Investment Fund Personnel

The Investment Firm shall, 15 days or as soon as practicable prior to the closing of any investment with, or engagement to provide Investment Management Services to, a Public Pension Fund, and semi-annually by the last day of July and January during the term of such engagement, disclose the following information to the Public Pension Fund regarding Executive Officers, investor relations personnel of the Investment Firm, and any other Investment Firm personnel primarily responsible for communicating with, or responsible for soliciting, with the Public Pension Fund, Public Pension Fund Advisors, Public Pension Fund Officials or other Public Pension Fund fiduciaries or employees:

- (a) The names and titles for each person at the Investment Firm, other than administrative personnel, whose standard professional duties include contact with the Public Pension Fund, Public Pension Fund Officials, Public Pension Fund Advisors or other Public Pension Fund fiduciaries or employees. If any such person is a current or former Official, Public Pension Fund Official, Public Pension Fund Advisor, or Public Pension Plan fiduciary or employee, advisor, or a Relative of any such person, that must be specifically noted. Upon the Public Pension Fund's request, the Investment Firm will provide the resume, of any professional employee on that list, detailing the person's education, professional designations, regulatory licenses and investment and work experience.
- (b) A description of the responsibilities of each person at the Investment Firm with respect to the transaction;
- (c) Whether each person has been registered as a Lobbyist with any state or the federal government in the past two years;
- (d) An update of any changes to any of the information included in the disclosure will be included in the next semi-annual report; and
- (f) A certification of the accuracy of the information included in the semi-annual disclosures.

9. Disclosure of All Third-Party Compensation: The Investment Firm shall provide, 15 days or as soon as practicable prior to the closing of any investment by or engagement to provide Investment Management Services to a Public Pension Fund, the names and addresses of all third parties that the Investment Firm compensated in any way (including without limitation any fees, commissions, and retainers paid by the Investment Firm to such third parties) and the amounts of such compensation paid in connection with the investment or transaction with the Public Pension Fund, including but not limited to all fees paid by the Investment Firm, Sponsored Fund, and Related Parties for legal, government relations, public relations, real estate or other professional advice, services or assistance. The Investment Firm shall update all disclosed information in the first semi-annual following the closing of such investment or engagement.
10. Publication of Investment Firm Disclosures: On a semi-annual basis, the Investment Firm shall publish all disclosures and certifications required by this Code of Conduct on the Investment Firm's website. The Investment Firm consents to publication of the disclosures and certifications on the OAG website or other website designated by the OAG.
11. Affirmative Representation to the Pension Fund: In its disclosures to a Public Pension Fund in connection with an investment in the Investment Firm or contract for Investment Management Services, the Investment Firm will certify that all the provisions of this Code are in full force and effect and that it is in compliance therewith.

## STANDARDS OF CONDUCT

12. No “Revolving Door” Employment. The Investment Firm is prohibited from employing or compensating in any way any Public Pension Fund Official, employee or fiduciary of a Public Pension Fund for two years after termination of such person’s relationship with the Public Pension Fund unless such person will have no contact with or provide services to his or her former Public Pension Fund.
13. No Relationships. The Investment Firm and Related Parties may not have any direct or indirect financial, commercial or business relationship with any Public Pension Fund Official, Public Pension Fund Advisor, employee or fiduciary of a Public Pension Fund, or any Relatives of such persons, unless the Public Pension Fund consents after full disclosure by the Investment Firm.
14. No Contact Policy: Upon the release of any Request for Proposal (RFP), Invitation for Bid (IFB), or comparable procurement vehicle for any investment or Investment Management Services by a Public Pension Fund, the Investment Firm shall not cause or agree that a third party will communicate or interact with the Public Pension Fund, any Public Pension Fund Official, Public Pension Fund Advisor, employee or fiduciary of the Public Pension Fund concerning the subject of the procurement process until the process is completed. Requests for technical clarification regarding the procurement process itself are permissible and must be directed to the Chief Investment Officer or other person designated by the Public Pension Fund. Nothing in this provision shall preclude the Investment Firm from complying with any request for information by the Public Pension Fund during this period.

15. Confidential Information.

- (a) The Investment Firm may not make unauthorized use or disclosure of confidential or sensitive information of a Public Pension Fund acquired as a result of the relationship between the Investment Firm and a Public Pension Fund. The Investment Firm receiving or having access to such sensitive or confidential information must use its best efforts to protect such information and may use such information only for performing the services for which the Investment Firm has been engaged and for legitimate Public Pension Fund or Sponsored Fund business purposes in accordance with the relevant contract or agreement.
- (b) The Investment Firm may not use confidential or sensitive information derived from a relationship with a Public Pension Fund in a manner that might reasonably be expected to diminish the value of such Public Pension Fund's investment or contemplated investment and would provide advantage or gain to the Investment Firm or any third party.
- (c) The foregoing clauses (a) and (b) shall not restrict:
  - (i) disclosure of such information (A) to comply with law, rule or regulation or (B) to respond to inquiries or investigations by governmental or regulatory bodies;
  - (ii) unless otherwise provided for in the governing documents of a Sponsored Fund, disclosure of the Public Pensions Fund's investment in such Sponsored Fund to investors and prospective

investors in connection with their investment or prospective investment therein; and

- (iii) use and disclosure of such information in connection with the activities of a Sponsored Fund permitted or otherwise contemplated by its governing documents.

16. No Gifts. Neither the Investment Firm, a Related Party nor a Relative of a Related Party shall offer or confer any gift having more than a nominal value, whether in the form of money, service, loan, travel, lodging, meals, refreshments, gratuity, entertainment, discount, forbearance or promise, or in any other form, upon any Public Pension Fund Official, employee or fiduciary of a Public Pension Fund, including any Relative of such persons, under circumstances in which it could reasonably be inferred that the gift was intended to influence the person, or could reasonably be expected to influence the person, in the performance of the person's official duties or was intended as a reward for any official action on the person's part.
17. The Investment Firm may not participate in, advise or consult on a specific matter before a Public Pension Fund, other than in connection with an investment in a Sponsored Fund or the investment activities of a Sponsored Fund as provided in the governing documents of such Sponsored Fund, that involves a business, contract, property or investment in which the Investment Firm has a pecuniary interest if it is reasonably foreseeable that action by or on behalf of such Public Pension Fund on that matter would be likely to, directly or indirectly, confer a

benefit on the Investment Firm by reason of the Investment Firm's interest in such business, contract, property or investment.

18. The Investment Firm must observe (1) accounting and operating controls established by law, and (2) with respect to a Public Pension Fund, such Public Pension Fund's regulations and internal rules and policies, including restrictions and prohibitions on the use of such Pension Fund's property for personal or other non-Public Pension Fund purposes, unless otherwise provided for in the governing documents of a Sponsored Fund.

#### CONFLICTS OF INTEREST

19. Disclosure of Conflicts of Interest. The Investment Firm must promptly disclose any apparent, potential or actual Conflict of Interest in writing to the Public Pension Fund, including without limitation any relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business), if any, between the Investment Firm, a Related Party or a Relative of a Related Party with any Public Pension Fund Official, Public Pension Fund Advisor, employee or any fiduciary of the Public Pension Fund, including any Relative of such persons. Should the Investment Firm or any other person or entity with a duty to disclose a Conflict of Interest reasonably believe that disclosure to the Public Pension Fund would be ineffective to mitigate a Conflict of Interest, the person or entity shall disclose the conflict to the Office of the Attorney General in New York or appropriate law enforcement official in the jurisdiction of the Public Pension Fund.



20. If the Investment Firm is aware, or reasonably should be aware, of an apparent, potential or actual Conflict of Interest, it has a duty not only to disclose that conflict, but to cure it by promptly eliminating it. If the Investment Firm cannot or does not wish to eliminate the conflict, it must terminate its relationship with such Public Pension Fund as promptly as responsibly and legally possible. If the Investment Firm may prudently refrain or withdraw from taking action on a particular Public Pension Fund matter in which a Conflict of Interest exists, the Investment Firm may cure the conflict in that manner provided that
- (a) the conflicted person or entity may be and is effectively separated from influencing the action taken;
  - (b) the action may properly and prudently be taken by others without undue risk to the interests of such Public Pension Fund; and
  - (c) the nature of the conflict is not such that the conflicted person or entity must regularly and consistently withdraw from decisions that are normally his or its responsibility with respect to the services provided to such Public Pension Fund.

The Public Pension Fund's General Counsel, or other person designated by the Public Pension Fund, may determine that the Investment Firm need not take further action to cure a conflict, provided the disclosures by the Investment Firm are deemed sufficient under the circumstances to inform such Public Pension Fund of the nature and extent of any bias and to form a judgment about the credibility or value of the Investment Management Services provided by the Investment Firm. In such event, the Investment Firm may continue to provide such Investment Management Services without taking further action to cure the disclosed conflict.

21. If the Investment Firm is uncertain whether it has or would have an apparent, potential or actual Conflict of Interest under a particular set of circumstances then existing or reasonably anticipated to be likely to occur, the Investment Firm should promptly inform the Public Pension Fund, which shall determine whether an actual conflict exists under the circumstances presented.
22. If the Investment Firm discloses a Conflict of Interest to a Public Pension Fund, it must refrain from providing Investment Management Services concerning any matters affected by the conflict until such Public Pension Fund expressly waives this prohibition or until the conflict of interest is otherwise cured.
23. The Investment Firm is committed to collaborate in good faith with the OAG to adopt appropriate protocols to implement the conflicts of interest principles set forth in Paragraphs 19 through 22.
24. Conflicts of Interests Arising in the Activities by a Sponsored Fund. The Investment Firm shall ensure that the governing documents of each Sponsored Fund in which a Public Pension Fund invests contain provisions for how to address material conflicts of interest between the Investment Firm and the Related Parties on the one hand and the Sponsored Fund on the other hand that may arise out of the investment and other activities of such Sponsored Fund, which provisions shall be disclosed to and agreed to by each Public Pension Fund prior to such Public Pension Fund's investment in a Sponsored Fund. For example, such provisions may provide that the Investment Firm shall disclose any such material conflicts of interest in any transaction, other than those contemplated or otherwise provided for by the governing documents of the relevant Sponsored

Fund, of which it has knowledge to an investor advisory committee composed of third party investors unaffiliated with the Investment Firm, one of the roles of which is to review and approve or disapprove any potential conflicts of interest that are brought before it.

#### EDUCATION AND TRAINING

25. Dissemination of Code of Conduct. Within one week of the effective date of this Code of Conduct, the Investment Firm shall provide a copy of this Code of Conduct to all of its partners, Executive Officers, directors and Employees and shall publish the Code of Conduct on its internal computer network where it can be accessed by its partners, executive officers, directors and employees.
  
26. Training. Within 90 days after the effective date of this Code of Conduct, the Investment Firm shall conduct one or more seminars for all of its partners, Executive Officers, directors and Employees who might interact with a Public Pension Fund in the course of their official duties about the requirements described herein. The Investment Firm agrees that it will train all new partners, Executive Officers, directors and Employees who might interact with Public Pension Fund personnel in the course of their official duties. The Investment Firm shall also require annual retraining of all relevant Investment Firm personnel on the provisions of this Code of Conduct and require an annual certification from those personnel attesting to their having completed the annual training.

## COMPLIANCE

27. The Investment Firm will file annually a Certificate of Compliance with the terms of this Code of Conduct with respect to all Public Pension Funds with the OAG. The Investment Firm will also send a Certification of Compliance to any other Public Pension Fund that annually requests such certification from the Investment Firm.
28. Upon a Public Pension Fund's request, this Code of Conduct, or any part thereof, shall be incorporated into any subscription material, side letter or equivalent document for each Sponsored Fund. A material violation of this Code of Conduct by the Investment Firm shall be grounds for a Public Pension Fund to (a) withdraw from the Sponsored Fund, (b) be excused from participating in all future portfolio company investments made by the Sponsored Fund in accordance with the governing documents of such Sponsored Fund, which terms shall have been appropriately disclosed to and agreed in writing with the Public Pension Fund prior to its investment in the Sponsored Fund, or (c) seek any other applicable remedies provided for under the rules, regulations, or governing laws of the Public Pension Fund.
29. In addition to any other possible criminal, civil and administrative action, if the Investment Firm's business relationship with a Public Pension Fund is terminated by a Public Pension Fund because of a violation of this Code of Conduct, the Investment Firm may be disqualified from having any further business relationship with such Public Pension Fund for a period of time up to ten years, as solely determined by the Public Pension Fund, commencing from the date of the termination of the contract or business relationship.

30. Jurisdiction. The Investment Firm consents to personal jurisdiction of the state of the Public Pension Fund with respect to any criminal, civil or administrative action or proceeding, including but not limited to compliance with subpoenas from state law enforcement and regulatory authorities, arising from or related to any investment by the Public Pension Fund with the Investment Firm and any contractual relationship between the Investment Firm and the Public Pension Fund.
31. To the extent that a provision of this Code would cause the Investment Firm to violate a statute, rule, regulation or policy governing any particular Public Pension Fund, the Investment Firm and the OAG will confer to resolve the conflict. If the conflict cannot be resolved, the OAG reserves the right to nullify the Assurance of Discontinuance with the Investment Firm and re-open the Investigation if due to this paragraph the Investment Firm cannot materially comply with this Code.
32. Any determinations, disclosures and certifications to be made by the Investment Firm pursuant to this Code of Conduct shall be made to the best of the Investment Firm's knowledge after inquiry based on the Investment Firm's best efforts.

## DEFINITIONS

33. "Conflict of Interest" A conflict of interest exists where circumstances create a conflict with the Investment Firm's duty (consistent with fiduciary standards of care) to act solely and exclusively in the best interest of a Public Pension Plan's members and beneficiaries. For example, a conflict of interest exists when the Investment Firm knows or has reason to know that it or a Related Party has a

financial or other interest that is likely to be material to the Investment Firm's evaluation of or advice with respect to a transaction or assignment on behalf of the Public Pension Fund. For the avoidance of doubt, conflicts of interest arising in the activities by a Sponsored Fund shall be governed specifically by Paragraph 24.

34. "Contribution" means any gift, subscription, loan, advance, or deposit of money or anything of value made for:
- (i) The purpose of influencing any election for State or local office;
  - (ii) Payment of debt incurred in connection with any such election; or
  - (iii) Transition or inaugural expenses of the successful candidate for any such election.
35. "Employee" means a person employed directly by the Investment Firm and who would be considered an employee for federal tax purposes. An Employee is not a person who is hired, engaged, utilized or retained by the Investment Firm for the purpose of securing or influencing a particular transaction, investment or decision of a Public Pension Fund, Public Pension Fund Official or Public Pension Fund Advisor or other Pension Fund fiduciaries or employees.
36. "Executive Officer" means the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions, for the Investment Firm.
37. "Government entity" means the state or political subdivision of the state, including:
- (i) Any agency, authority, or instrumentality of the state or a political subdivision;
  - (ii) Plan or pools of assets controlled by the state or a political subdivision or any agency, authority or instrumentality thereof; and

- (iii) Officers, agents, or employees of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.
- 38. “Investment Firm” means the signatory of this Code of Conduct as well as its subsidiaries and any affiliates over which it exercises exclusive control, but shall not include any Sponsored Funds or portfolio companies of Sponsored Funds or any third party investors in any Sponsored Funds.
- 39. “Investment Management Services” means:
  - (a) The business of making or recommending investment management decisions (including making recommendations for the placement or allocation of investment funds) for or on behalf of a Government Entity or Public Pension Plan;
  - (b) The business of advising or managing a separate entity that makes or recommends investment management decisions (including making recommendations for the placement or allocation of investment funds) for or on behalf of a Government Entity or Public Pension Plan; or
  - (c) The provision of any other financial advisory or consultant services to a Government Entity or Public Pension Plan, such as money management or fund management services, investment advice or consulting, and investment support services (including market research, fund accounting, custodial services, and fiduciary advice).
- 40. “Lobbyist” shall mean any person or organization retained, employed or designated by any client to engage in Lobbying. A Lobbyist does not include a bona fide Employee of the Investment Firm.

41. “Lobbying” shall mean, for the purposes of this Code of Conduct, any attempt to directly or indirectly influence a determination by a (1) Public Pension Fund Official, (2) Official, (3) any fiduciary of a Public Pension Fund, (4) Public Pension Fund Advisor, or (5) any other person or entity working in cooperation with any of the above, related to a procurement of Investment Management Services by a Public Pension Fund, including without limitation a determination by a Public Pension Fund to place an investment with the Investment Firm.
42. "Official" means any person (including any election committee for the person) who was, at the time of a Contribution, an incumbent, candidate or successful candidate:
- (a) For an elective office of a government entity, if the office is directly or indirectly responsible for, or can directly influence the outcome of, the Public Pension Fund's investment with or engagement of the Investment Firm; or
  - (b) For any elective office of a government entity, if the office has authority to appoint any person who is directly or indirectly responsible for, or can directly influence the outcome of, the Public Pension Fund's investment with or engagement of the Investment Firm.

Communication with an Official includes communications with the employees and advisors of such Official.

43. “Placement Agent” means any third-party intermediary that is directly or indirectly hired, engaged, utilized, retained or compensated (regardless of whether upon a fixed, contingent or any other basis) or otherwise given any other tangible or intangible item or benefit having monetary value by the Investment Firm for facilitating the placement of an investment with the Investment Firm. A Placement Agent does not include a bona fide Employee of the Investment Firm or any person whose sole basis of compensation from the Investment Firm is the



actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance unrelated to soliciting, introducing, finding, or referring clients to the Investment Firm or attempting to influence in any way an existing or potential investment in or business relationship with the Investment Firm.

44. "Public Pension Fund" means any retirement plan established or maintained for its employees (current or former) by the Government of the United States, the government of any State or political subdivision thereof, or by any agency or instrumentality of any of the foregoing.
45. "Public Pension Fund Official" means any elected or appointed trustee or other official, staff member or employee whose official duties involve responsibility for a Public Pension Fund.
46. "Public Pension Fund Advisor" means any external firm or individual engaged by a Public Pension Fund to assist in the selection of investments or Investment Management Services for the Public Pension Fund.
47. "Related Party" means any partner, member, executive officer, director or Employee of the Investment Firm or Sponsored Fund, including any agents of such person. Limited partners of a Sponsored Fund or a managed account and portfolio companies are not Related Parties.
48. "Relative" means a person related by blood or affinity (including a domestic partner) who resides in the same household. A person adopted into a family is considered a relative on the same basis as a natural born family member.

49. "Solicitor" means any person or entity who in any way, directly or indirectly, solicits, finds, introduces or refers any client to the Investment Firm, including without limitation any intermediary, consultant, broker, introducer, referrer, finder, public- or government-relations expert, or marketer. A Solicitor does not include any bona fide Employee of the Investment Firm or any person whose sole basis of compensation from the Investment Firm is the actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance that is unrelated to any solicitation, introduction, finding, or referral of clients to the Investment Firm or the brokering, fostering, establishing or maintaining a relationship between the Investment Firm and a Public Pension Fund.
50. "Sponsored Fund" means an investment fund sponsored, managed or advised by the Investment Firm.

I, the undersigned, acknowledge that I have read this Code of Conduct and am familiar with the standards that govern the conduct of the Investment Firm.

I further acknowledge that I will within ten days of my signature distribute this Code of Conduct to those persons who work or represent the Investment Firm on Public Pension Fund matters, and ensure they have read this Code of Conduct and are familiar with the standards that govern the conduct of the Investment Firm.

Further, the Investment Firm shall distribute this Code of Conduct immediately to any other person with the Investment Firm who begins working or representing the Investment Firm on Public Pension Fund matters and once a year to all persons with the Investment Firm who are working or representing the Investment Firm on Public Pension Fund matters.

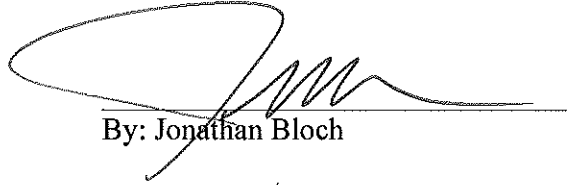
**GKM NEWPORT GENERATION  
CAPITAL SERVICES, LLC**



By: Erica Bushner  
IRS: Manager; Member; CEO

Date: April 14 2010

**JONATHAN BLOCH**



By: Jonathan Bloch

Date: April 14, 2010

**ERICA BUSHNER**



By: Erica Bushner

Date: April 14, 2010