



ACG SEC Task Force Kick-Off Meeting Minutes ***(renamed to ACG Private Equity Regulatory Task Force)***

DATE: Wednesday, October 22nd at 2:30 PM ET

LOCATION: The Riverside Company, 630 Fifth Avenue, 45 Rockefeller Plaza, New York, NY

ATTENDEES: In-person and via conference (70 total)

AGENDA ACTIVITIES:

1. **Welcome & Introductions:**

Pam Hendrickson with The Riverside Company, past President of ACG Global's Board of Directors, welcomed in-person and conference call participants to the initial kick-off meeting. Pam discussed the current state of affairs and how crucial engagement on the regulatory level is for the continued growth of the middle market.

2. **Recap of ACG's Prior Interactions with the SEC:**

Scott Gluck with Venable, outside counsel to ACG Global, reviewed ACG's previous interactions with the SEC.

- **ACG SEC Task Force Formation:** The Task Force was formed about a year ago due to member-complaints regarding:
 - Custody Rule
 - Presence Exam Initiative
 - A David Blass' speech where he stated that PE funds might be required to register as broker-dealers
- **Initial meeting in July of 2013:** The SEC was surprisingly receptive to the ACG in an initial meeting and indicated that it didn't hear from the middle-market very often. It was clear that the SEC didn't have a complete understanding of the PE industry.
- **In the past, the ACG has spoken with the SEC about four main issues:**
 - IAA Compliance
 - Custody Rule
 - SEC has provided positive guidance, but issues remain
 - Co-Investments
 - SBICs
 - Personal Trading Records
 - Minimal benefit and high burden for CCOs/CFOs
 - Email Retention Issues

- Recordkeeping Requirements
 - Cumulative Financial Impact of Regulations on Middle-Market PE
 - Broker-Dealer Issues
 - Fundraising by In-House Professionals
 - Transaction Fees
 - No Action Letter regarding Small Business Brokers
 - JOBs Act/General Solicitations
 - Websites and what constitutes a general solicitation
 - SEC is receptive to issuing FAQs
 - Opportunity to create best practices
 - SEC Presence Examinations
 - Caused confusion among newly registered middle-market PE advisors
- ACG has not had the opportunity to address the following issues:
 - Cybersecurity
 - FACTA
 - AIFMD
- Despite ACG's efforts surrounding middle-market private equity, a number of important events have occurred over the past few months:
 - Andrew Bowden speech – *Spreading Sunshine in Private Equity*
 - SEC's push for user fees to fund additional examiners
 - Ways & Means Chairman Dave Camp proposal on carried interest
 - Numerous press articles that paint the industry in a negative light
- In August, ACG conducted its survey of middle-market CCOs, CFOs, and in-house counsel: the results confirmed anecdotal comments from the ACG membership.

3. Vision of ACG' SEC Task Force:

The group emphasized that **engagement from core middle-market private equity practitioners is critical**. Gretchen Perkins with Huron Capital Partners, Co-Chair of ACG's Public Policy Committee, described how the task force is an opportunity for the industry to generate positive policy and create real change in Washington. By creating a network of peers, the ACG SEC Task Force can educate middle-market private equity professionals, limited partners and policymakers in Washington.

- **Purpose:** Pam Hendrickson recommended the group focus on its **mission statement = FACE**
 - **Facilitate** communication and coordination amongst fund professionals;
 - **Advocate** before federal regulators and lawmakers on behalf of the middle-market private equity industry;
 - **Create** a network of peers to share best practices;
 - **Educate** private equity professionals on regulatory issues that have a direct impact on them and their funds.
- **Benefits of Membership:** ACG recognizes that CCOs and CFOs are extremely busy and do not need to be inundated with irrelevant materials. The benefits of the ACG SEC Task Force were described as follows:

- Quarterly calls that are narrowly tailored to key issues identified by members of the task force;
- Monthly emails that summarize key regulatory, legislative and compliance developments; and
- The creation of working sub groups as, approved by members of the task force, so that members can focus on issues most relevant to them.

➤ **Membership Fee:** Gretchen Perkins described ACG’s financial commitment to the effort over the past three years, which has totaled several hundred thousand dollars, and how additional resources are necessary for the success of the task force. Gretchen recommended that there be a tiered annual membership fee for participating firms, the proceeds of which would be used exclusively to help fund the effort. The proposed membership fees are as follows:

- Size of Most Recent Fund
 1. Less than \$250 Million - \$1,000 per firm/annual membership
 2. \$250 Million to \$1 Billion - \$2,500 per firm/annual membership
 3. Over \$1billion - \$5000 per firm/annual membership

If a firm joins the task force, multiple individuals from that firm are welcome to participate.

➤ **Task Force Co-Chairs**

The task force will have multiple co-chairs, who will help organize the task force, drive membership and work with ACG staff to ensure that the task force is structured, efficient, and productive. The co-chairs will reflect a diverse range of fund size and geographical location. Individuals who are interested in serving as a co-chair should contact Amber Landis at ACG for more information.

➤ **Advisory Council/Service Providers**

- Richard Jaffe with Duane Morris LLP, Vice-Chairman of ACG Global’s Board of Directors, described how the task force’s initial membership should be limited to fund professionals
- Over time, if the task force is interested in doing so, service providers could be brought in through an “advisory council” to the task force.

4. Issues & Creation of Subgroups: Scott Gluck provided a list of potential subgroups based on results of ACG’s SEC Task Force Survey:

- IAA Compliance Issues
- Broker-Dealer Issues
- Best Practices
 - Valuation procedures
 - Fees/Expenses
 - General solicitations/JOBS Act
 - SEC Examinations
- Cybersecurity
- **UPDATE: AIFMD has been added a subgroup**

5. Renaming ACG SEC Task Force: Richard Jaffe discussed that practitioners are interested in changing the name of the ACG SEC Task Force. The goal is for the name to appropriately describe the function of

the group, its members and a long-term strategy. The name also needs to be broader than just the SEC to include other regulatory agencies such as FINRA, CFTC for swaps and derivatives issues and prudential regulators on issues such as leveraged lending guidance.

- ACG asked meeting attendees in-person and on the phone to provide their thoughts on the name.
- **UPDATE: the ACG SEC Task Force has been renamed to the ACG Private Equity Regulatory Task Force**

6. Next Steps: Amber Landis with ACG Global described next steps including:

- **ACG plans to meet with the SEC in the Fall:** This meeting will be focused on a specific inquiry from SEC officials around the recent ACG SEC Task Force Survey and cumulative compliance costs for the industry. ACG will be surveying interested members of the task force on the costs for major compliance initiatives (see addendum)
- **Calendar:** Once again, ACG recognizes that task force members are busy and therefore plans to have a quarterly calendar available for members to include key conference call dates and meetings.
 - **Next Call is December 11 at 4:00 PM ET to plan activities for 2015. A calendar invitation will follow the minutes.**
- **Potential Fly-in:** Amber Landis suggested that the group consider a fly-in during the spring. The fly-in would gather middle-market private equity practitioners in Washington to meet with key legislators and regulators to address compliance concerns and issues.

7. The meeting adjourned at 3:30 PM ET.