



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
R. Michael Gill | Secretary of Commerce  
Benjamin H. Wu | Deputy Secretary of Commerce

August 22, 2018

The Honorable Thomas V. "Mike" Miller, Jr.  
President, Maryland State Senate  
H-107 State House  
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch  
Speaker, Maryland House of Delegates  
H-101 State House  
Annapolis, Maryland 21401-1991

**RE: FY 2018 Brokerage and Investment Management Services – Use of Minority Business Enterprises**

Dear President Miller and Speaker Busch:

In accordance with Economic Development Article, §14-103, the Department of Commerce (Department) is pleased to submit the annual report on Brokerage and Investment Management Services – Use of Minority Business Enterprises for Fiscal Year 2018. This law requires the Department to attempt to use minority business enterprises to the greatest extent feasible to provide brokerage and investment management services. The Department does not use brokerage or investment management services. The Department manages operations of its financial programs, the treasurer holds the fund(s), and the Comptroller accounts for the fund(s).

The Governor's Office of Small, Minority & Women Business Affairs is responsible for compiling a variety of Agency reports into one report for the Maryland General Assembly. The Department used the format they provided on this topic in order to remain consistent with the reporting structure. You will find enclosed Exhibit A – Annual Report Minority Owned Financial Services Firm Usage Summary Statement; Exhibit B – Minority Owned Financial Services Firm Usage Annual Report Questionnaire Fiscal Year 2018; and Exhibit C – Maryland MBE Investment Manager Annual Report Template.

Should you require additional information, please contact me at 410-767-6301.

Sincerely,  
  
R. Michael Gill  
Secretary

Enclosure



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## MEMORANDUM

**TO:** Jimmy Rhee, Special Secretary, Governor's Office of Small, Minority & Women Business Affairs

**FROM:** R. Michael Gill, Secretary, Commerce

**DATE:** August 22, 2018

**SUBJECT:** **FY 2017 Brokerage and Investment Management Services – Use of Minority Business Enterprises**

In accordance with Economic Development Article, §14-103, the Department of Commerce is pleased to submit the annual report on Brokerage and Investment Management Services – Use of Minority Business Enterprises for Fiscal Year 2018. This law requires the Department to attempt to use minority business enterprises to the greatest extent feasible to provide brokerage and investment management services. The Department does not use brokerage or investment management services. The Department manages operations of its financial programs, the treasurer holds the fund(s), and the Comptroller accounts for the fund(s). The Department completed the template(s) received by The Governor's Office of Small, Minority & Women Business Affairs. Please find enclosed the Department's responses to the survey your agency sent.

Should you require additional information, please contact me at 410-767-6301.

Enclosure



**ANNUAL REPORT**  
**MINORITY OWNED FINANCIAL SERVICES FIRM USAGE**  
**SUMMARY STATEMENT**

Reporting Department/Agency: Commerce

Fiscal Year: 2018

| IN THE ATTACHED DOCUMENTS, MY AGENCY HAS REPORTED THE FOLLOWING INFORMATION:                                                                                                                                                                             | YES | NO  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|
| 1. The identity of the minority business enterprise brokerage and investment management services firms used by the Agency in the immediately preceding fiscal year;                                                                                      |     | N/A |
| 2. The percentage and dollar value of the assets under the custody of the Agency that are under the investment control of minority business enterprise brokerage and investment management services firms; and                                           |     | N/A |
| 3. The measures the Agency undertook in the immediately preceding fiscal year to increase the percentage and dollar value of the assets under the investment control of minority business enterprise brokerage and investment management services firms. |     | N/A |

Agency Head/Secretary Name:

R. Michael Gill

(Please Type/Print Here)

(Date)

Agency Head/Secretary Signature:

[Signature]

(Please Sign Here)

(Date)



## GOVERNOR'S COORDINATING OFFICES

COMMUNITY INITIATIVES • SERVICE & VOLUNTEERISM • PERFORMANCE IMPROVEMENT  
CRIME CONTROL & PREVENTION • SMALL, MINORITY & WOMEN BUSINESS AFFAIRS  
CHILDREN • DEAF & HARD OF HEARING

### MINORITY OWNED FINANCIAL SERVICES FIRM USAGE ANNUAL REPORT QUESTIONNAIRE

***Fiscal Year 2018***

1. Describe the organization's investments and mechanisms through which the organization invests. **N/A**
  - a. Identify all asset allocations and services, i.e. real estate, hedge funds private equity, brokerage services, passively managed assets, account sweeps, and services used during *transitions*.
  - b. Which of those services are retained directly by your internal staff/board?
  - c. Which of those services are retained indirectly by a consultant/advisor/manager?
2. Describe your organization's current policies regarding the utilization of minority and women owned firms in the investment and or fund management aspects of your operations. **N/A**
3. Describe the organization's marketing strategy, if any, in the area of investment services. **N/A**
4. Describe your organization's policy for dealing with investment firms that "cold call" with offers of financial management services. **N/A**
5. What role, if any, does a "board of trustees" or "investment board" play in the organization's investment policy and decisions? **N/A**
  - a. Describe any differences between the mechanisms used for various funds and/or asset classes, brokerage services, etc.
6. Is an outside *managing consultant* used to find suitable investment services firms? **N/A**

- a. If so, describe your organization's selection process for choosing *managing consultants*. This would include a comprehensive description of the procurement process used, e.g., the solicitation's specifications, evaluation factors used in the selection process, as well as contract execution and assessment procedures?
    - i. Who has final the decision over which *managing consultant* is chosen?
  - b. What are the specific responsibilities of the *managing consultant*?
    - i. Does the *managing consultant* have complete autonomy in choosing which firms are chosen to manage/invest the organization's funds?
    - ii. What, if any, parameters does your organization give to the *managing consultant* in terms of choosing/enlisting firms?
      1. Is the *managing consultant* encouraged to find minority and women owned firms?
  - c. Who manages and/or evaluates the *managing consultant's* performance?
  - d. Include *hire dates* and *duration* of the consultant's contract.
7. What was the organization's total amount of assets being managed by minority and women owned firms in fiscal year 2018? **0. The Department does not use the services of external investment firms.**
  - a. What are the asset classes and how does that break down within racial and gender classifications?
8. How many minority and women owned investment firms have been retained **directly** by the organization in fiscal year 2018? **0. The Department does not use the services of external investment firms.**
  - a. Please provide a list of all such firms indicating the amount of your organization's assets being managed
9. How many minority and women owned investment firms have been retained **indirectly** by the organization in fiscal year 2018? **0. The Department does not use the services of external investment firms.**
10. What was the total amount of money management fees, including brokerage commissions, that was paid to minority and women owned firms in fiscal year 2018? **N/A**
  - a. Please list each firm by name, ownership classification (MBE or WBE), and indicate how much was paid.
11. What was the total amount of commissions paid to minority and women owned investment **brokers** for this fiscal year? (Please include "steps-outs" if necessary.) **N/A**
12. Please provide a list of all firms, indicating the amount of commissions paid by your organization. Also detail your total annual fees for fiscal year 2018 into the

following categories—asset management<sup>1</sup>, financial institutions<sup>2</sup>, and professional services<sup>3</sup>. **N/A**

a. If there are any special fee structures particular to asset classes (e.g. real estate) please provide.

13. How investment brokers have been retained **directly or indirectly** by the organization in fiscal year 2018? **N/A**

14. How many minority and women owned investment brokers have been retained **directly and indirectly** in relation to the organization's total for this fiscal year? **N/A**

15. What percentages of funds/assets were allocated to Maryland headquartered minority and women owned firms in fiscal year 2018? **N/A**

a. Please list each firm by name, ownership classification (MBE or WBE), and indicate the amounts of funds/assets.

16. Please submit a copy of your organization's most recent *Investment Policy Statement*. **N/A**

17. OPTIONAL: Provide a brief summary detailing any information not adequately captured by your numerical data or within this questionnaire. **N/A**

**The Department does not have the need for real estate, hedge funds, private equity, brokerage services, passively managed assets, account sweeps, and services used during transitions, and therefore have not developed any policies pertaining to them.**

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<sup>1</sup> *Asset management fees* refer to any fees paid to external investment managers, regardless of racial or gender categorization.

<sup>2</sup> *Financial institution fees* refer to broker/dealers, custody operators, securities lending, operational bank account fees, and other asset servicers.

<sup>3</sup> *Professional Services Providers* refers to investment and risk management consultants, portfolio analytics software providers, and etc.

# MARYLAND MBE INVESTMENT MANAGER ANNUAL REPORT TEMPLATE (FY18)

| Asset Management |              |            |         |              |            |         |              |            |         |              |            |         |              |            |         |
|------------------|--------------|------------|---------|--------------|------------|---------|--------------|------------|---------|--------------|------------|---------|--------------|------------|---------|
| Agency           | FY 2014      |            |         | FY 2015      |            |         | FY 2016      |            |         | FY 2017      |            |         | FY 2018      |            |         |
|                  | Total Assets | MBE Assets | %       | Total Assets | MBE Assets | %       | Total Assets | MBE Assets | %       | Total Assets | MBE Assets | %       | Total Assets | MBE Assets | %       |
| -                | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! |
| Total            | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! | \$0.0        | \$0.0      | #DIV/0! |

## MBE Investment Managers Utilized

| Agency                | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY2018 |
|-----------------------|---------|---------|---------|---------|--------|
| Emerging MBE Managers | 0       | 0       | 0       | 0       | 0      |
| Emerging MBE Managers | 0       | 0       | 0       | 0       | 0      |
| Total                 | 0       | 0       | 0       | 0       | 0      |

Definitions: Emerging Investment Manager = a qualified minority owned business of female owned business with total assets under management of at least \$10 million but less than \$2 billion. Emerged Investment Manager = a qualified minority owned business or female owned business with total assets under management of more than \$2 billion.

## Brokerage Services

| Agency | FY 2014     |           |         | FY 2015     |           |         | FY 2016     |           |         | FY 2017     |           |         | FY 2018     |           |         |
|--------|-------------|-----------|---------|-------------|-----------|---------|-------------|-----------|---------|-------------|-----------|---------|-------------|-----------|---------|
|        | Total Comm. | MBE Comm. | %       | Total Comm. | MBE Comm. | %       | Total Comm. | MBE Comm. | %       | Total Comm. | MBE Comm. | %       | Total Comm. | MBE Comm. | %       |
| -      | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! |
| Total  | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! | \$0.0       | \$0.0     | #DIV/0! |

## Total MBE Investment Brokers Utilized

| Agency | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY2018 |
|--------|---------|---------|---------|---------|--------|
| -      | 0       | 0       | 0       | 0       | 0      |
| Total  | 0       | 0       | 0       | 0       | 0      |

# INVESTMENT PORTFOLIO TEMPLATE

| Portfolio by Asset Class    | Market Value<br>(\$ millions) | Actual Allocation | Strategic<br>Allocation | Emerging MBE<br>Managers | Emerged MBE<br>Managers |
|-----------------------------|-------------------------------|-------------------|-------------------------|--------------------------|-------------------------|
| Domestic Large Cap          | -                             | -                 | -                       | -                        | -                       |
| Domestic Small/Mid Cap      | -                             | -                 | -                       | -                        | -                       |
| Total Domestic Equity       | -                             | -                 | -                       | -                        | -                       |
| Core Fixed Income           | -                             | -                 | -                       | -                        | -                       |
| Corporate - Oriented        | -                             | -                 | -                       | -                        | -                       |
| Convertible Bonds           | -                             | -                 | -                       | -                        | -                       |
| Total Domestic Fixed Income | -                             | -                 | -                       | -                        | -                       |
| International Fixed Income  | -                             | -                 | -                       | -                        | -                       |
| Total                       | -                             | -                 | -                       | -                        | -                       |

## Emerged MBE Investment Managers Utilized

| Manager Name | Assets Under<br>Management<br>(\$ millions) | Investment<br>Advisory Fee (\$<br>millions) | Asset Class |
|--------------|---------------------------------------------|---------------------------------------------|-------------|
| -            | -                                           | -                                           | -           |
| -            | -                                           | -                                           | -           |
| -            | -                                           | -                                           | -           |
| -            | -                                           | -                                           | -           |
| Subtotal     | -                                           | -                                           | -           |

## Emerging MBE Investment Manager Utilized

| Manager Name | Assets Under<br>Management<br>(\$ millions) | Investment<br>Advisory Fee (\$<br>millions) | Asset Class |
|--------------|---------------------------------------------|---------------------------------------------|-------------|
| -            | -                                           | -                                           | -           |
| -            | -                                           | -                                           | -           |
| -            | -                                           | -                                           | -           |
| -            | -                                           | -                                           | -           |
| Subtotal     | -                                           | -                                           | -           |

Total      #VALUE!      #VALUE!

**MBE BROKERAGE SERVICES TEMPLATE**

| MBE Investment Broker Name |  | Commissions<br>Paid |
|----------------------------|--|---------------------|
| -                          |  | -                   |
| -                          |  | -                   |
| Total                      |  | \$0.0               |