



October 30, 2020

CalPERS  
Office of the President  
400 Q Street, Sacramento, CA  
Via Email

Dear Mr. Jones,

**RE: WILSHIRE ORGANIZATIONAL UPDATE**

We are following up to our letter of October 13, 2020 where we provided our initial response to your questions regarding Wilshire Associate Incorporated's ("Wilshire") pending organizational change. We value our 35 year relationship with CalPERS and appreciate the opportunity to provide additional information concerning the transaction, Wilshire's governance structure, its policies and procedures designed to manage and mitigate conflicts of interest, ongoing employee stability, and our continued emphasis on providing independent advice consistent with our obligation as a fiduciary.

It is our belief that our experience in governance and delivering leading client-centric solutions will help deliver sustainable, long-term value for everyone we serve.

**Overview of the Transaction and Governance**

As previously disclosed, Wilshire has entered into a purchase agreement with Monica Holdco (US) Inc. (the "Buyer"), a newly created entity and an affiliate of two investment firms, Motive Partners and CC Capital (together with their co-investors, the "Investor Group"), pursuant to which Wilshire will be sold to the Buyer and the Investor Group will acquire a controlling interest in Wilshire (the "Transaction"). The Transaction is anticipated to close in December of 2020. Upon closing of the Transaction, Wilshire's founder, Dennis Tito, will step down from his role as Chief Executive Officer and Chairman of Wilshire's board of directors (the "Wilshire Board") and John Hindman will step down from his role as President and member of the Wilshire Board. Dennis Tito and John Hindman will be replaced on the Wilshire Board prior to closing. Jason Schwarz, who has been with Wilshire for over 12 years and is currently Chief Operating Officer, will maintain his current role and assume the additional responsibility of President. Mr. Schwarz and the other current Wilshire Board members will continue to serve in the same capacity as before the Transaction. The current membership of the Wilshire Board and that anticipated post close of the Transaction are set out in [Appendix 1](#) to this letter. The day-to-day management of Wilshire will remain vested in the Wilshire Board and Wilshire's management team. Wilshire will continue to have the following governing bodies and associated mandates:

- MANAGEMENT COMMITTEE – among other things, responsible for evaluating and monitoring risks and conflicts of interest; for the avoidance of doubt, any member of the Wilshire Board also affiliated with a member of the Investor Group will not participate in conflict of interest decisions related to such member.
- INVESTMENT COMMITTEE – among other things, responsible for ensuring the separation of duties and independence of Wilshire’s investment processes; for the avoidance of doubt, this committee will not include any Wilshire employee that is also affiliated with the Investor Group.
- ENVIRONMENTAL, SOCIAL AND GOVERNANCE, AND DIVERSITY COMMITTEE – responsible for overseeing Wilshire’s diversity and ESG initiatives, policies and practices.

The parent of the Buyer, which is controlled by Motive Partners and CC Capital, will control and set the strategic direction of Wilshire. The Investor Group will not participate in Wilshire’s investment processes; investment recommendations and decisions will continue to be made by the Wilshire team. Specifically, Wilshire does not advise CalPERS with respect to selection of funds and managers, and our mandate with CalPERS will not change in connection with the Transaction whereby we will not make recommendations with respect to the selection of funds and managers (including those managed by CC Capital or Motive Partners). More generally, Wilshire’s investment mandates will continue to be subject to strict internal controls, independent evaluation of investment opportunities, fiduciary duties and our most important guiding principle: that any investment opportunities must be in the best interests of our clients. Additionally, to the extent CC Capital or Motive Partners holds a controlling interest in a public company (including a SPAC), that entity will be put on Wilshire’s restricted list of securities and Wilshire employees will be prohibited from trading such securities in a manner consistent with Wilshire’s restricted security policies and procedures.

Additionally, and as part of the Transaction, Ares Management Corporation will become a lender to the Buyer pursuant to the terms of a customary senior secured term loan, and Ares will have no rights beyond those typical for a secured lender. More specifically, they do not have board or observer rights nor do they have any ability to influence day-to-day control over Wilshire’s business or investment activities. As we previously noted, we do not believe that this relationship creates a material conflict of interest. Nonetheless, in the interest of transparency, we will be disclosing this relationship as part of our normal procedures. This means that we will be including Ares in our conflicts disclosure reports and disclosing the relationship on any Ares evaluations or relevant communications with clients.

**Conflicts of Interest**

As noted above, Wilshire’s Management Committee will continue to have ultimate responsibility for evaluating and monitoring risks and conflicts of interest at Wilshire and no member of the Wilshire Board also affiliated with a member of the Investor Group will participate in any conflict of interest decision related to such Investment Group member. Our existing conflicts framework is designed to meet Wilshire’s obligations as a fiduciary such that our recommendations and actions are not improperly influenced by a secondary interest beneficial to Wilshire, its personnel or its shareholders (including the

Investor Group). While Wilshire's existing framework addresses conflicts related to the Transaction, we are updating disclosures, policies and procedures to more specifically address any issues. The following updated documents will be provided for your review in advance of your upcoming board meeting:

1. ADV Part 2A
2. Conflicts of Interest Policy
3. Conflicts of Interest Procedures
4. Wilshire Disclosure Report
5. Updated response to CalPERS Organizational and Conflicts Questionnaire

### **Third Party Compliance Consultant**

We recognize that this new structure will require greater vigilance and as a result, have retained a nationally recognized compliance consulting firm, ACA, to provide us with further guidance and review the implementation of our Conflicts of Interest Policy. ACA will review our updated policies and procedures related to conflicts of interest to determine if they are reasonably designed to identify and manage the conflicts of interest in accordance with our obligations as a fiduciary and under applicable law. More specifically, we want to ensure that our policy is sufficient to address the complexities introduced by this new structure.

### **Employee Stability**

Wilshire and the Buyer recognize that the firm's greatest assets are its employees, and therefore must ensure they are engaged, motivated and appropriately incentivized. Today, Wilshire compensates its employees with a competitive base salary and an annual bonus. The base salary is commensurate with industry standards. The annual bonus is based on a combination of performance against personal targets and the success of the company. It is currently contemplated that this structure will be unchanged following the close of the Transaction. In addition, many Wilshire employees are being given the opportunity to exchange a portion of their existing Wilshire stock for equity interests in the ultimate parent entity of the Buyer, and such parent entity also intends to offer equity options to select Wilshire employees to increase the retention element of the overall compensation structure. Following the Transaction, it is expected that Wilshire employees will own a material equity stake in Wilshire. Finally, Wilshire will seek to enhance benefits for employees to maintain Wilshire's position as a top tier California employer.

Wilshire has faithfully and diligently served CalPERS needs for over 35 years. Through this period's ever-changing nature of individual contributions, market cycles and client mandates, Wilshire has been unwavering in its commitment to provide market leading, impartial advice. This will not change following the Transaction. We hope that you will appreciate the thought and work that has been put into our evaluation of issues that may impact our relationship with our clients and with CalPERS in particular. We are firmly of the view that the organization that you know will only improve with our new partners and that

the team that has worked with you for many years will continue uninterrupted to provide best-in-class service to CalPERS.

Thank you for your continued trust and confidence.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justin Ray", with a long horizontal flourish extending to the right.

Chief Compliance Officer  
Wilshire Associates Incorporated

Appendix 1

<b>Current Wilshire Board</b>	<b>Wilshire Board at Close</b>	<b>Position at Wilshire post close</b>
Dennis Tito*	tba	CEO
John Hindman*	tba	CFO
Jason Schwarz	Jason Schwarz	COO and President
Benkai Bouey	Benkai Bouey	Chief Compliance Officer
Josh Emanuel	Josh Emanuel	Managing Director
Steve Foresti	Steve Foresti	Managing Director
Reena Lalji	Reena Lalji	General Counsel
Maggie Ralbovsky	Maggie Ralbovsky	Managing Director
William van Eesteren	William van Eesteren	Managing Director

\*Resigning from Wilshire Board at close of Transaction.