

**COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM**

SERS #14-009.1

FIRST AMENDMENT

to the

**INVESTMENT ADVISORY AGREEMENT FOR REAL ESTATE INVESTMENT ADVISORY
SERVICES**

This First Amendment to the Investment Advisory Agreement for Real Estate Investment Advisory Services (the "First Amendment") made as of July 1, 2015, by and between the **COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM** (herein "SERS") and **TOWNSEND HOLDINGS LLC** (d/b/a THE TOWNSEND GROUP), a Delaware limited liability company, with its principal office and place of business at 1660 West Second Street, Suite 450, Cleveland, Ohio 44113 (herein "MANAGER"),

WITNESSETH:

WHEREAS, pursuant to Title 71, Sections 5101, *et seq.* of the Pennsylvania Consolidated Statutes (the "Retirement Code") and specifically Section 5931(a) thereof, SERS' Board has exclusive control and management of the Pennsylvania State Employees' Retirement Fund (herein the "Fund"), with full power to invest the same, subject to terms and conditions imposed by law; and

WHEREAS, pursuant to Section 5902(b) of the Retirement Code, SERS' Board has authority to contract for investment advisors, investment counselors and for such other professional services as it deems advisable in order to fulfill its duties; and

WHEREAS, SERS and Manager entered into an Investment Advisory Agreement for Real Estate Investment Advisory Services dated June 30, 2014 (the "Agreement"); and

WHEREAS, the SERS Board by motion at its Board meeting on March 11, 2015 desired to amend the Agreement with MANAGER to extend the current Agreement from July 1, 2015 through June 30, 2017, to expand the scope of advisory services to avoid any interruption in current real estate

investment advisory and management services and to increase the fees (the “First Amended Agreement”); and

WHEREAS, SERS and Manager now wish to amend the Agreement in order to increase the scope of services provided by Manager and the corresponding fee schedule; and

WHEREAS, SERS may return to the Agreement’s Original Services and correspondingly reduce the fees at SERS’ sole discretion; and

WHEREAS, SERS desires to amend the Agreement to add updated reporting requirements with a new section 4(i); and

WHEREAS, the Agreement expires June 30, 2015 and SERS and Manager desire to extend the Agreement to June 30, 2017.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. New Exhibit F is hereby added to the Agreement.
2. Section 4(i) is hereby deleted and replaced in its entirety as follows:

MANAGER’s conduct and actions for and on behalf of SERS shall be in compliance at all times with federal and state securities laws and regulations and all other applicable laws and regulations, including but not limited to those relating to the licensing of its personnel. MANAGER shall comply with the United States Securities and Exchange Commission (“SEC”) Rule 206(4)-5 (the “Rule”) including, but not limited to recordkeeping of Contributions as required by the Rule. MANAGER shall annually provide SERS’ Chief Counsel with a report of all (without accounting for any exceptions or exemptions under the Rule) Contributions made by MANAGER or any Covered Associate of MANAGER to any SERS board member or to any Official of a Government Entity of the Commonwealth of Pennsylvania (as such capitalized terms are defined in the Rule).

3. Section 21(a) is hereby deleted and replaced in its entirety as follows:

“(a) *Expiration.* This Agreement shall terminate at the close of business on June 30, 2017 unless and until terminated by either party.”

4. Exhibit D is hereby deleted and replaced in its entirety with Exhibit D attached hereto.

5. SERS may eliminate the AOS set forth in Exhibit F of the First Amended Agreement and return to the OS set forth in Section 4 of the Agreement and concurrently therewith eliminate the AOS portion of the fee schedule set forth in Exhibit D of the First Amended Agreement at SERS' sole discretion.
6. Section 11 of the Agreement is amended to add the following concluding sentence, "The person(s) providing the AOS are Key Persons for purposes of the First Amended Agreement".
7. Except as amended hereinabove, the terms of the Agreement remain unchanged and in full force and effect. Capitalized terms used herein, but not otherwise defined, shall have the meaning ascribed to them in the Agreement.
8. This First Amended Agreement may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have caused this First Amendment to the Investment Advisory Agreement for Real Estate Investment Advisory Services to be executed as of the date first above written.

ATTEST:

TOWNSEND HOLDINGS LLC
Federal Tax Identification Number: [REDACTED]

BY: [Signature]
NAME: Rob M Kochis Date 6/5/15
TITLE: Principal

BY: [Signature]
NAME: Anthony D. Frammatino Date 6/5/15
TITLE: Principal

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
Federal Tax Identification Number: [REDACTED]

BY: [Signature] 6/10/15
NAME: Glenn E. Becker Date
TITLE: Chairman

EXHIBIT D

Fee Schedule

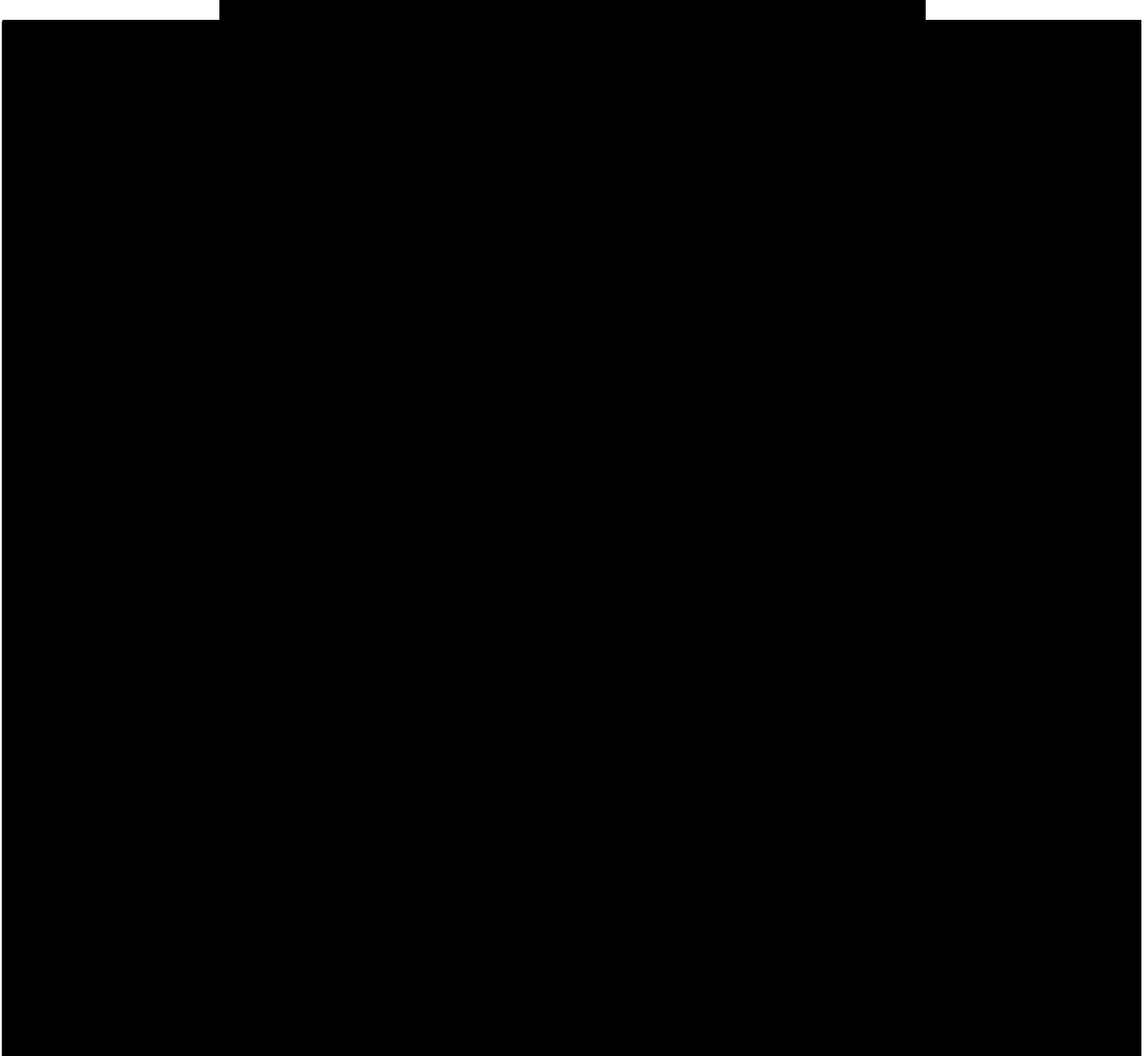


EXHIBIT F

The additional oversight services (AOS) are as follows:

In addition to the services set forth in the Agreement (the "Original Services" or "OS") at section four thereof, beginning July 1, 2015 Manager shall provide the following AOS provided that none of the AOS shall supplant, supercede, or replace the OS:

- (1) Conduct an in-depth, comprehensive review of SERS' real estate portfolio as the basis for recommending changes to the composition and structure of said portfolio in accordance with SERS' Strategic Plan, Statement of Investment Policy and Real Estate Statement of Investment Policy. Such review should be completed and the recommendations made to SERS' staff no later than 30 business days following the effective date of this amendment.
- (2) Develop and provide additional portfolio performance and allocation reports that aggregate, to the extent possible, the real estate holdings of SERS by geography, sector, investment type, etc. that will allow SERS' staff and Townsend to quickly assess the diversification impact of any new real estate opportunity on SERS' real estate portfolio. The first draft of the new reports will be provided to SERS' staff for review and approval no later than 30 business days following the effective date of the amendment.
- (3) Develop, and on an on-going basis update, a forward looking glide path given SERS' current capital commitments and estimated distributions.
- (4) Oversee separate account managers on allocations available for new investment, annual capital and operating budgets and liquidation plans;
- (5) Evaluate capital expenditures outside of budget/asset management plans and recommend approvals to SERS' Chief Investment Officer ("CIO") and/or Board;
- (6) Administer asset management of existing fund investments, such as attending and serving at SERS' direction at fund investor advisory committee meetings, with recommendation to CIO on resolution of fund conflicts, term extensions or other amendments;
- (7) Coordinate appraisals/valuations of separate account properties as well as reconciling and recommending approval of performance-based manager fee calculations;
- (8) Review and coordinate funding of capital calls and receipt of distributions, and reconcile cash flows and market values with SERS' custodian.
- (9) For each fund and separate account, receive and evaluate quarterly reports, SSAE 16s, annual financial statements and audits;
- (10) If necessary to achieve asset allocation targets and/or cash management within real estate, recommend to CIO liquidation of existing investments;

- (11) Monitor real estate and timber program compliance with SERS' Strategic Investment Plans, Statement of Investment Policy and Real Estate Statement of Investment Policy; make recommendations to maintain compliance;
- (12) Assist in training and orientation of new staff that may be hired by SERS and specifically dedicated to real estate/real assets;
- (13) Offer continued advice to SERS on asset allocation, program strategy and new Real Estate and Timberland Asset initiatives recommended by the Board or SERS' CIO,;
- (14) Provide one mid-level professional staff member of Townsend at SERS' office in Harrisburg for not more than 1-3 days per week, as requested by SERS' staff;
- (15) Gather information within Manager's possession and produce responses to information requests pertaining to SERS' real estate and timber, including for SERS' financial statements or other investment and administrative reports,;
- (16) Continue performance measurement reporting and services as SERS is accustomed to receiving, and
- (17) Such other duties and responsibilities that SERS and Manager shall agree to in addition to the AOS.