

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

SERS #14-009

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

This Agreement made as of June 30, 2014, 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, MANAGER has provided real estate advisory services to the Fund as set forth in a proposal dated November 21, 2008, in response to a Request for Information, RFI-2008-02; and

WHEREAS, the current agreement, as amended, between SERS and MANAGER expires June 30, 2014; and

WHEREAS, the SERS Board by motion at its Board meeting on January 22, 2014, desired to enter into a new agreement ("Agreement") with MANAGER from July 1, 2014 through June 30, 2015 to avoid any interruption in current real estate investment advisory and management services; and

WHEREAS, MANAGER possesses and will employ, in a fiduciary capacity, professional knowledge, experience, and expertise in real estate advisory services and portfolio management, and investment matters generally, to preserve and enhance the financial integrity of the Fund;

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 bound hereby, the parties hereto agree as follows:

1. Engagement. SERS hereby engages MANAGER and MANAGER hereby accepts SERS' engagement to serve as an investment advisor for and on behalf of SERS with respect to the Fund's Real Estate Assets to (i) serve as the Real Estate Investments Advisor for and on behalf of SERS; (ii) to advise SERS with respect to Real Estate investment objectives and policies; (iii) evaluate and recommend Real Estate investment managers and/or potential investment; (iv) monitor and prepare reports regarding the performance of SERS' Real Estate investment portfolio; (v) facilitate the process for securing independent appraisals of portfolio properties and manage the appraisal process; and (vi) provide other Real Estate investment advice, all consistent with the terms of this Agreement and such other policies and directives as may be communicated in writing by SERS to MANAGER from time to time. MANAGER shall have at no time have any ownership, intellectual property or other rights to the reports, projects, studies, or other documents and information (including underlying data relating thereto) relating solely to SERS and the Fund. The Manager may not enter into any transaction on behalf of the SERS or bind SERS. The Manager will not have custody, possession or control of any assets (including cash) of SERS and will not provide tax or legal advice. Nothing contained herein shall be deemed to authorize the Manager to take or receive possession of, or otherwise perform any custodial duties with respect to, any assets of SERS. MANAGER may generally disclose the identity of SERS and the fact that SERS has engaged MANAGER.

2. Advisory Management Team. MANAGER shall assign and provide a full and dedicated advisory management team to perform the services for SERS as contemplated under this Agreement. The advisory management team shall consist of the key persons identified in Section 11 of this Agreement and any other seasoned personnel reasonably necessary to and capable of compiling due diligence, producing the documentation required herein and producing timely responses to ad hoc needs.

3. SERS Investment Policies and Guidelines. MANAGER shall abide by the State Employees' Retirement Code ("Retirement Code"), 71 Pa.C.S. §§ 5101-5956 as amended, SERS' Statement of Investment Policy and SERS' Real Estate Statement of Investment Policy, such policies attached hereto and incorporated herein as Exhibits A and B respectively. SERS may retitle, amend or supplement its Statement of Investment Policy or its Real Estate Statement of Investment Policy from time to time in its sole discretion, and written notice thereof shall be furnished to MANAGER. Upon any such amendment, Exhibit A or Exhibit B, as applicable, shall be replaced by the amended document and a copy shall be sent to MANAGER pursuant to Section 20 "Notices" of this Agreement.

4. MANAGER's Services. MANAGER shall provide real estate investment advisory services as outlined below for SERS in connection with the Fund's Real Estate investment class and generally act as investment advisor for and on behalf of SERS, as limited by law, for the Fund's Real Estate Assets:

(a) *Investment Policies and Objectives.* MANAGER shall:

(1) review SERS' Real Estate investment objectives, policies, asset allocation, and management structure; and recommend any appropriate changes;

(2) in cooperation with SERS staff and other SERS investment advisors and managers, assist in preparing SERS' Annual and Five-Year Investment Plan;

(3) recommend performance benchmarks for SERS' total real estate portfolio and for each investment account within the portfolio;

(4) recommend investment guidelines for each investment account within the real estate portfolio; and

(5) recommend appropriate real estate investment strategies, tactics and practices; and

(b) *Reporting.* MANAGER shall:

(1) prepare quarterly written performance reports containing (A) the calculated total return (before and after fees) for the total real estate portfolio and for each investment account within the

portfolio, (B) comparisons of the return data to the performance benchmarks and to returns earned by similar real estate investors; (C) performance attribution and analysis for the total real estate portfolio and for each investment account within the portfolio; and (D) historical return analysis, excess return analysis and risk/return analysis; and

(2) make semi-annual presentations to SERS as requested, addressing, *inter alia*, portfolio status and performance.

(3) performance measurement reports will be generated based on information provided by third-party managers of funds and other investments. SERS acknowledges that the production of performance measurement reports is dependent on timely reporting through this system by third-party managers.

(c) *Portfolio Monitoring.* MANAGER shall:

(1) review investment manager compliance with investment objectives and guidelines and prepare appropriate reports; and

(2) monitor all investment management and incentive fees paid to SERS' real estate investment managers, and prepare a report on such fees as part of the quarterly performance report.

(d) *Manager and Investment Due Diligence and Recommendations.* MANAGER shall:

(1) assist in conducting real estate investment manager searches and facilitate the hiring of suitable managers;

(2) prepare written reports describing the due diligence conducted and containing recommendations regarding manager selection, retention, or termination decisions; and

(3) prepare written reports describing the due diligence conducted and containing recommendations regarding real estate investment decisions. SERS acknowledges that the recommendations made by MANAGER involve MANAGER's judgment and that MANAGER's views regarding the economy, the securities markets or other specialized areas, like all predictions of future events, cannot be guaranteed to be accurate.

(e) *Research/Databases.* MANAGER shall:

(1) provide SERS' staff with MANAGER's information regarding the Fund, as well as research databases, asset allocation models, investment structure models and analytical tools;

(2) provide research reports discussing asset allocation, investment issues, and describing and evaluating new types of investments and alternative investment approaches; and

(3) maintain a property database identifying all properties in which the Fund has either a full or partial ownership interest, and provide semi-annual and annual written reports describing these properties in such detail as determined by SERS' staff.

(f) *Appraisals.* MANAGER shall:

(1) facilitate the appraisal process for SERS' separate account assets in accordance with SERS' real estate policies and procedures. This process shall include, but not be limited to, the engagement process for the selection of appraisal firms, establishment of the terms and conditions of engagement letters, coordination of information and timing of the process among all parties, and review of all draft and final appraisal reports.

(g) *General.* MANAGER shall:

(1) provide timely information to SERS regarding market conditions and their impact on SERS' real estate investments;

(2) provide timely information to SERS of significant real estate investment developments;

(3) provide educational opportunities for SERS and its staff, as appropriate, including but not limited to periodic educational seminars on pertinent real estate investment issues affecting SERS, public pension plans, and institutional investors generally; and

(4) carry out such other real estate investment consulting and performance measurement assignments, including but not limited to reporting assignments, as may be specified by SERS or its staff.

(h) *Meeting Attendance.* MANAGER shall attend SERS' Board meetings as SERS shall request to apprise SERS of its investment management and advisory activities. MANAGER shall be available as needed by SERS' staff in advance of SERS' Board meetings to prepare for such meetings. MANAGER shall also attend special meetings and attend or conduct investment seminars when requested by SERS.

(i) *Compliance with Laws.* 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, upon the effective date, 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 Contributions made by an Applicable Party to an Official of a Pennsylvania Government entity (as such capitalized terms are defined in the Rule).

(j) *MANAGER's Investments for Own Account.* Provided the covenants of Section 14 "Conflict of Interest" below are not breached, and except to the extent prohibited by the Employee Retirement Income Security Act of 1974 ("ERISA"), MANAGER, its Affiliates, and their respective partners, directors, officers, and employees shall be permitted to buy, sell or trade in any securities for its or their own account or accounts, pursuant to MANAGER's policy on employee trading included in its Code of Ethics dated December 2013 (a copy of which is attached hereto as Exhibit C and made a part hereof); provided, however, that none of MANAGER, its Affiliates, or their respective partners, directors, officers, or employees, subject to any applicable exemptions set forth in the aforementioned policy on employee trading, shall be permitted to buy, sell or trade in any securities held for SERS' account within less than five (5) business days before or less than one (1) business day after the date such securities were bought, sold or traded by MANAGER for SERS' account. Any amendments to the aforesaid policy shall be promptly provided to SERS. MANAGER shall have no obligation to recommend the acquisition by SERS of a position in any investment which MANAGER, its Affiliates, or their respective partners, officers, or employees may acquire for its or their own account, if in the sole discretion of MANAGER, it is not feasible or in the best interests of SERS to acquire a position in such

investment. For purposes of this Agreement, an "Affiliate" shall be any Person, controlled by or under common control with MANAGER. "Person" shall mean an individual, partnership (general, limited or limited liability), a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity.

(k) *ERISA Limitations.* References in the preceding subsections to restrictions or limitations on MANAGER's conduct imposed by ERISA shall be applied to MANAGER's conduct under this Agreement without regard to the general applicability of ERISA to the Fund.

5. Standard of Performance. MANAGER shall perform investment advisor and management services under this Agreement subject to the exercise of that degree of judgment and care under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such investment matters would use in the conduct of an enterprise of like character and with like aims.

6. Compensation.

7. MANAGER's Insurance. MANAGER represents and warrants that the insurance coverage submitted to SERS prior to execution of this Agreement is in full force and effect and is unmodified and that such representation and warranty will survive execution of this Agreement. MANAGER shall maintain such insurance coverage, at a minimum, in effect throughout the term of this Agreement. MANAGER shall submit evidence of continued coverage as mutually agreed upon by SERS and MANAGER.

MANAGER shall be expected to comply with such procedures and requirements relating to insurance and bond coverage for the protection of SERS and the Fund as SERS may convey to MANAGER in writing. SERS may require changes to insurance coverage and bonding as it deems appropriate for the protection of SERS and the Fund by giving written notice of such changes to MANAGER at least thirty (30) days in advance of the effective date of such changes.

8. Representations of MANAGER.

(a) *General Representations.* MANAGER represents, warrants, confirms and agrees that:

(i) it is a "fiduciary" with respect to SERS and the Fund as that term is defined in Section 3(21)(A) of ERISA, and is not subject to any of the disqualifications described in Section 411 of ERISA, irrespective of the scope of ERISA application to the Fund;

(ii) (A) it is duly registered and in good standing as an investment adviser under the Investment Advisers Act of 1940, as amended, and shall maintain such registration in good standing at all times during the term hereof; (B) it shall timely furnish to SERS a complete and legible copy of Parts I and II of its current Form ADV filed with the United States Securities and Exchange Commission ("SEC") pursuant to Section 203(c) of the Investment Advisers Act of 1940, as amended; (C) throughout the term hereof, it shall make any filings and pay any fees required by the Pennsylvania Securities Act of 1972, as amended (the "1972 Act"); and (D) any investment advisor representative employed by or associated with it who has a place of business in Pennsylvania and who at any time during the term hereof is providing services to SERS pursuant to this Agreement shall be duly registered and in good standing with the Pennsylvania Securities Commission in accordance with, and as may be required by, the 1972 Act; and

(iii) it has substantial experience and expertise in providing the investment management and advisory services contemplated by this Agreement.

(b) *Evidence of Authority.* MANAGER shall furnish SERS as requested, but in any event no less than annually, with certified resolutions or other appropriate documentation evidencing the authority of its partners, officers, Affiliates and employees to act on behalf of MANAGER.

(c) *Reaffirmation.* MANAGER hereby reaffirms the reliability and accuracy of the written and oral representations made to SERS in the solicitation of this Agreement.

(d) *No Finder's, Solicitor's or Similar Fee.* Neither MANAGER nor any Affiliate, nor any of their respective partners, directors, officers, or employees have employed or retained any company or person, other than a bona fide employee working solely for MANAGER, to solicit or secure this Agreement, and none of the aforementioned parties have paid or agreed to pay, and shall not pay, any

company or person, other than a bona fide employee working solely for MANAGER, any fee, commission, percentage, brokerage fee, gift, or any other compensation contingent upon or resulting from the award or making of this Agreement, except where: (i) MANAGER has disclosed, in writing to SERS, that it has engaged such a company or person other than a bona fide employee to secure this Agreement, and (ii) the cost of such engagement is not charged to SERS under the terms of compensation under this Agreement or any subsequent agreement. For breach or violation of this representation, SERS shall have the right to void this Agreement without liability, entitling SERS to recover all monies paid hereunder, and MANAGER shall not make claim for, or be entitled to recover, any sum or sums due under this Agreement or for any services which it may have provided under this Agreement. This remedy, if effected, shall not constitute the sole remedy afforded to SERS for such breach or violation, nor shall it constitute a waiver of SERS' rights to claim damages or to take any other action provided for by law or pursuant to this Agreement.

(e) *MANAGER's Website.* MANAGER agrees that any provisions pertaining or related to indemnification, governing law or jurisdiction, confidentiality or a payment of money (whether as a fine, liquidated damage, levy, access fee or other similar imposition) contained in any current or future website or similar electronic forum/data transfer maintained or made available by or on behalf of MANAGER shall not apply to or have any force or effect on SERS and that this Agreement shall instead control the rights, obligations and duties of the parties hereto.

(f) *Reliance.* MANAGER acknowledges that SERS has relied and will continue to rely upon MANAGER's representations, warranties, confirmations and agreements.

(g) *W-9.* MANAGER shall promptly provide SERS with a current W-9 tax form. MANAGER is responsible for updating this form with SERS as it becomes necessary to do so.

(h) *Notice of Change.* MANAGER shall promptly notify SERS in the event any of the foregoing acknowledgments, representations, warranties or agreements herein shall no longer be true.

9. MANAGER as Independent Contractor. MANAGER shall perform its services hereunder as an independent contractor and shall provide worker's compensation insurance where the same is required. MANAGER accepts full responsibility for the payment of, and shall pay when due, taxes of any nature or jurisdiction upon MANAGER's property and income, premiums for worker's

compensation insurance, Social Security taxes, all income tax deductions and any other taxes or payroll deductions required by law for its employees, servants or agents who perform services specified by this Agreement.

10. Changes in MANAGER's Status. In the event of any actual or proposed material change in MANAGER's status or event affecting MANAGER, including, without limitation, (a) change in or departure of directors, officers, partners, employees or Affiliates who are key persons on SERS' account, (b) material modification of corporate or partnership structure, (c) change in actual control or management of MANAGER, (d) material change in SEC requirements or other government or private registration, accreditation or licensing requirements affecting MANAGER, (e) alleged material violations by MANAGER, any Affiliate, or any of their respective partners, directors, officers, or employees, of the Investment Advisers Act of 1940, as amended, the federal securities laws, comparable state law, or the law of any applicable foreign jurisdiction, (f) material deterioration in MANAGER's financial condition, including but not limited to the filing of a petition in bankruptcy, (g) MANAGER's awareness that its representations and warranties herein cease to be true, and (h) litigation alleging negligence, fraud or breach of fiduciary duty by MANAGER, any Affiliate, or any of their respective partners, directors, officers, or employees, MANAGER shall immediately notify SERS in writing.

11. Key Persons. It is specifically understood and agreed that SERS engages MANAGER in reliance upon Rob Kochis having responsibility to perform the bulk of MANAGER's services to SERS. Mr. Kochis shall serve as Senior Real Estate Investment Manager and Advisor to SERS with ongoing broad oversight responsibility for development and maintenance of SERS' strategic real estate investment plan under the direction of SERS' staff. Mr. Kochis is expected to be visible and accessible to SERS and its staff in such capacity. Mr. Kochis' additional responsibilities include day-to-day management of the services to be provided to SERS and, in general, serving as principal contact for responding to SERS' questions and concerns and maintaining an effective relationship between MANAGER and SERS. Substitution of or replacement for Mr. Kochis may occur only with the prior written consent of SERS.

12. Indemnification of SERS. MANAGER shall indemnify and forever hold harmless the Commonwealth of Pennsylvania, the Fund, SERS and its Board members, officers, agents and employees, from and against any and all losses, claims, demands, actions, or liabilities of any nature, including, but not limited to, attorneys' fees, expenses and court costs, based upon, arising out of or in

connection with the negligent, reckless, willfully improper or illegal performance of services or failure to perform services under this Agreement, actions outside the scope of authority, or other breach of this Agreement, by MANAGER, an Affiliate, their respective partners, directors, officers, employees and agents or any brokers or futures commission merchants selected by MANAGER and performing services for or on behalf of SERS, regardless of any independent contractual arrangement SERS may have with such brokers or futures commission merchants. At SERS' option, and in its sole discretion, MANAGER shall defend at its expense actions brought against the Commonwealth of Pennsylvania, the Fund, SERS and its Board members, officers, agents and employees arising out of or in connection with any services performed or the failure to perform services, or other breach of this Agreement, by MANAGER, an Affiliate, their respective partners, directors, officers, employees and agents or any brokers or futures commission merchants selected by MANAGER and performing services for or on behalf of SERS, and the costs of such defense shall be borne by MANAGER and shall not constitute an expense of, and shall not be paid out of, Fund assets invested and managed by MANAGER.

13. Confidentiality. All reports and documents relating to SERS and the Fund which MANAGER may prepare and deliver hereunder shall be confidential and shall become the property of SERS and shall not be published, circulated, or used in any manner by MANAGER without SERS' prior written approval, except as required by law. All information relating to SERS, whether in written or spoken form, that SERS provides to MANAGER or that is learned by MANAGER in connection with providing services to SERS, shall be confidential and shall not be disclosed, published, circulated, or used in any manner by MANAGER without SERS' prior written approval, except as required by law. MANAGER shall require the Affiliates, and its and the Affiliates' partners, directors, officers and employees to comply with the provisions of this Section 13 to the same extent as MANAGER.

14. Conflict of Interest.

(a) *Definitions.* (i) "Conflict of Interest" means any set of facts or circumstances that create an actual conflict with MANAGER's duty (consistent with fiduciary standards of care) to provide investment advice that is aligned solely with the best interests of SERS' plan participants and beneficiaries. A Conflict of Interest exists when MANAGER knows or has reason to know that it (including its members, partners, officers, directors or employees, or any relatives thereof, or any person or entity with a significant personal or business relationship to MANAGER) has a financial or other interest that is likely to bias, compromise, or otherwise impair, the impartiality, fairness, independence or

objectivity of the MANAGER's evaluation of or advice with respect to a transaction or assignment on behalf of SERS; and (ii) "Disclosable Interest" means any interest or circumstance that may give rise to an actual, potential or perceived Conflict of Interest.

(b) *Representations.* MANAGER represents and warrants that (i) it has no interest and shall not acquire any interest, direct or indirect, that would constitute a Conflict of Interest or Disclosable Interest, (ii) in the performance of this Agreement it shall exercise due care in hiring and shall not knowingly employ any person having any such conflicting interest, and (iii) after due investigation it has no knowledge of any Conflict of Interest or Disclosable Interest on the part of any Affiliate or any of its Affiliates' members, partners, directors, officers or employees.

(c) *General Duty.* MANAGER shall establish appropriate safeguards to discourage and prohibit its Affiliates and MANAGER's and its Affiliates' respective members, partners, directors, officers, employees and agents from utilizing their positions for a purpose that constitutes a Conflict of Interest or a Disclosable Interest. MANAGER shall operate with complete independence and objectivity without any Conflicts of Interest or Disclosable Interests with respect to the services provided under this Agreement.

(d) *Warranty.* Except as otherwise disclosed and approved by SERS prior to the effective date of this Agreement, MANAGER warrants that as of the effective date of this Agreement and to the best of its knowledge and belief, there are no Conflicts of Interest or Disclosable Interests.

(e) *Duty to Disclose.* (i) MANAGER agrees that if during the term of this Agreement, it becomes aware or is made aware of a Conflict of Interest or a Disclosable Interest, MANAGER shall immediately and fully disclose such Conflict of Interest or Disclosable Interest in writing to SERS pursuant to the notice provisions of Section 20 of this Agreement. The disclosure shall include a description of the action(s) taken or proposed to be taken by MANAGER to avoid or mitigate the effect of such Conflict of Interest or Disclosable Interest. MANAGER agrees that within sixty (60) days after the end of each annual period during the term of this Agreement it shall submit to SERS a written report in which MANAGER certifies without qualification that after due investigation it has determined that, except for disclosures made pursuant to clause (i) herein or otherwise previously disclosed (e.g., in MANAGER's Form ADV Part 2), (1) it has no interest, direct or indirect, that would constitute a Conflict of Interest or Disclosable Interest, (2) it has exercised due care in hiring and has not knowingly

employed any person having any such conflicting interest, and (3) after due investigation it has no knowledge of any Conflict of Interest or Disclosable Interest on the part of any Affiliate or any of its Affiliates' members, partners, directors, officers or employees. The written report shall also include a brief description of all disclosures made by MANAGER to SERS during such annual period pursuant to clause (i) herein. Alternatively, MANAGER may include a disclosure in its quarterly report to SERS confirming that it has no Conflict of Interest, or if a Conflict of Interest arose during the previous quarter, a description of such Conflict of Interest and the steps taken to mitigate the Conflict of Interest. MANAGER's failure to timely submit such report to SERS or any false statement in such report shall be considered a material breach of this Agreement and shall be subject to the provisions in clause (f) of this Section 14.

(f) *Remedies.* In the event that SERS determines that MANAGER was aware or should have been aware of a Conflict of Interest or a Disclosable Interest prior to, as of, or following the entering into of this Agreement and failed to properly disclose such Conflict of Interest or Disclosable Interest to SERS at the appropriate time, such nondisclosure shall be considered a material breach of this Agreement. For breach of this Section 14, SERS shall have the right to void this Agreement without liability, entitling SERS to recover all monies paid hereunder following the occurrence of such Conflict of Interest or Disclosable Interest (the date of such occurrence to be determined in SERS' sole discretion) and MANAGER shall not make claim for, or be entitled to recover, any sum or sums due under this Agreement or for any services which it may have provided since such occurrence. This remedy, if effected, shall not constitute the sole remedy afforded to SERS for such breach, nor shall it constitute a waiver of SERS' rights to claim damages or to take any other action provided for by law or pursuant to this Agreement.

MANAGER covenants on behalf of itself, all Affiliates, and their respective partners, directors, officers and employees, that none of the aforementioned parties has an interest and shall not acquire any interest, direct or indirect, that would conflict in any material manner or degree with the performance of the services hereunder. MANAGER further covenants that in the performance of this Agreement, that neither it nor any of the aforementioned parties will knowingly employ any person having any such conflicting interest.

15. Other Business. SERS acknowledges that MANAGER provides investment advisor services for other clients, and that such services do not, in and of themselves, constitute a conflict with

the performance of MANAGER's services hereunder. Provided the covenants of Section 14 above are not breached, and further provided that MANAGER and its partners, officers, employees and Affiliates comply with the "prohibited transaction" rules of ERISA, nothing in this Agreement shall prohibit MANAGER from rendering services similar to those provided herein for other clients.

16. Assignment or Other Transfer. The rights and obligations of MANAGER under this Agreement, including any interest herein or any claim arising hereunder, may not be assigned by it, in whole or in part, whether to any Affiliate of MANAGER or to any other party or parties, and whether voluntarily or by operation of law, and whether by sale, merger, division, consolidation, encumbrance or sale of stock, or otherwise, without the prior written consent of SERS, which consent SERS may grant or withhold in its sole and absolute discretion. Notwithstanding the previous sentence, SERS hereby consents to any transfer by MANAGER that is the result of internal reorganizing by MANAGER so long as the conditions outlined in Paragraph 11 "Key Persons" remain in effect after the internal organization. Any other assignment or attempted assignment in contravention of this Section shall be null and void *ab initio*.

17. Subcontracts. No agreement shall be made by MANAGER with any other person, firm or company for the furnishing or production of any of MANAGER's services described herein without the prior written consent of SERS. Such consent, in addition to any other writing, must be evidenced by a notation and dated signature of the Executive Director of SERS that appears on the first page or cover of any subcontract.

18. Commonwealth Contract Provisions. In performing services hereunder, MANAGER shall comply with the Commonwealth contract provisions attached hereto and incorporated herein as Exhibit E. For purposes of Exhibit E, MANAGER shall be the "Contractor."

19. Maintenance, Preservation and Review of Records. MANAGER shall maintain such records, books and accounts pertaining to services and payments hereunder in accordance with generally accepted accounting principles consistently applied. All such records, books and accounts shall be maintained and preserved for the longer of: (a) the term of this Agreement, or (b) four (4) years after their creation. During such period, SERS or any other department or representative of the Commonwealth of Pennsylvania, from time to time upon reasonable notice, shall have the right to inspect, duplicate and audit such records, books and accounts for all purposes authorized and permitted

by law. MANAGER may preserve such records, books and accounts in original form or on microfilm, magnetic tape, CD-ROM or any other generally recognized and accepted process.

MANAGER shall maintain an adequate system of controls to ensure that any transactions entered into on SERS' behalf by MANAGER, if any, comply with all applicable laws and regulations, that the financial information reported to SERS is accurate and complete and that MANAGER is in compliance with the terms of this Agreement at all times.

20. Notices. Any notice, demand, direction, instruction and other communications required or permitted hereunder shall be confirmed in writing and shall be sufficiently given for all purposes when sent (a) by certified or registered U. S. mail, postage prepaid, (b) by a nationally recognized courier service that maintains written verification of actual delivery, (c) by facsimile or email with a copy of the communication sent by first class U.S. mail, postage prepaid (provided that if the date of dispatch is not a business day, the facsimile or email shall be deemed to have been received at the opening of business of the addressee on the next business day) or, (d) by delivering the same in person to any party at the following addresses or such other addresses as may be designated from time to time by the parties:

If to SERS: COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
Attn: Executive Director
Facsimile: (717) 783-7300

With copies to: COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101-1716
Attn: Chief Investment Officer
Facsimile: (717) 772-3741

and

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
30 North Third Street, Suite 150

Harrisburg, Pennsylvania 17101-1716
Attn: Chief Counsel
Facsimile: (717) 787-5751

If to MANAGER: Rob Kochis
THE TOWNSEND GROUP
1600 West Second Street, Suite 450
Cleveland, Ohio 44113
Facsimile: (216) 781-1407

21. Expiration and Termination.

(a) *Expiration.* This Agreement shall have a term of one year, commencing July 1, 2014 and terminating at the close of business on June 30, 2015 unless and until terminated by either party.

(b) *Termination.* MANAGER may terminate this Agreement by furnishing written notice to SERS not less than one hundred eighty (180) days prior to the effective date of termination, and SERS reserves the right to terminate this Agreement at any time, for any reason, by furnishing written notice to MANAGER, whereupon, and in either of such events MANAGER's fees for services under this Agreement shall be prorated and paid, provided that notwithstanding any other provision of this Agreement, SERS may withhold such payment of fees until MANAGER has fully complied, in SERS' sole discretion, with subsection (d) below. SERS may terminate this agreement at any time, with or without cause and with or without notice or liability of any kind.

(c) *Liability.* The termination or expiration of this Agreement shall not relieve MANAGER of any liability that may be incurred in connection with its performance or failure to perform its obligations under this Agreement which liability shall survive termination or expiration.

(d) *Final Report.* MANAGER shall furnish to SERS, within thirty (30) days of the effective date of termination or expiration of this Agreement or the avoidance of this Agreement pursuant to Section 8(d), a final report on its activities and the status of the Fund's Real Estate portfolio in such form and format as requested by SERS' staff. Any and all of the Fund's assets in MANAGER's possession at the effective date of termination, expiration or avoidance shall be returned to SERS, or transferred as directed by SERS, immediately upon termination, expiration or avoidance or as soon thereafter as is

practicable considering MANAGER's obligations to preserve and enhance the financial integrity of the Fund.

(e) Forwarding of Documents. MANAGER shall forward to SERS or SERS' designated recipient, within thirty (30) days after the effective date of termination or expiration of this Agreement or the voidance of this Agreement pursuant to Section 8(d) hereof, all reports, projects, studies, or other documents and information (including the underlying data relating thereto) that relate to SERS and the Fund.

22. Applicable Law. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania (without regard to any conflict of laws provisions) including Pennsylvania's Right-to-Know Law, 65 P.S. §§ 67.101-3104. MANAGER hereby (a) consents to exclusive jurisdiction in any court of the Commonwealth of Pennsylvania, any federal courts in Pennsylvania, and the Board of Claims ("Board of Claims") of the Commonwealth of Pennsylvania, hereby waiving any claim or defense that such forum is not convenient or proper and (b) agrees that any claim asserted against SERS shall only be brought before and subject to the exclusive jurisdiction of the Board of Claims pursuant to Section 1721 *et seq.* of Title 62 of Pa. Statutes. MANAGER agrees that the Board of Claims and any such court shall have *in personam* jurisdiction over it, and consents to service of process in any manner authorized by Pennsylvania law.

23. Reservation of Immunities. SERS hereby reserves all immunities, defenses, rights or actions arising out of its status as an instrumentality of a sovereign state or entity, or under the Eleventh Amendment to the United States Constitution, and no waiver of any such immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by its entry into this Agreement, by any express or implied provision of this Agreement or by any actions or omissions to act of SERS or any representative or agent of SERS, whether taken pursuant hereto, prior to or after the entry by SERS into this Agreement.

24. Binding Effect. This Agreement shall inure to the benefit of and bind the parties hereto and their respective successors and assigns.

25. Amendment. No amendment or modification of this Agreement, other than as set forth in Section 3 hereof, shall have any force or effect unless it is in writing and signed by the parties hereto.

26. Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original, but the several counterparts shall together constitute but one and the same instrument.

27. Severability. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held contrary to any express provision of law, or contrary to the policy of express law though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the remainder of this Agreement or the rights of the parties hereto.

28. Headings. The headings and captions in this Agreement are for convenience and reference purposes only and shall not be construed or deemed to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions hereof.

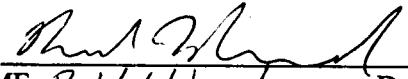
29. Entire Agreement. Except as hereinabove expressly provided, this Agreement supersedes all prior contracts and undertakings, written or oral, between the same parties concerning the same subject matter.

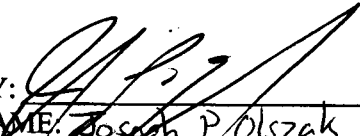
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have caused this Management and Investment Advisory Agreement for real estate services to be executed as of the date first above written.

ATTEST:

TOWNSEND HOLDINGS LLC
Federal Tax Identification Number:

BY: 
NAME: Donald Whitcomb Date 4-25-14
TITLE: General Counsel

BY: 
NAME: Joseph P. Olszak Date 4-25-14
TITLE: Chief Operating Officer

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

BY: _____
NAME: _____ Date _____
TITLE: Chairman

Approved for form and legality:

Approved:

BY: _____
NAME: _____
TITLE: _____
Office of Attorney General

BY: _____
NAME: _____ Date _____
SERS Counsel

BY: _____
NAME: _____ Date _____
TITLE: _____
Office of General Counsel

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have caused this Management and Investment Advisory Agreement for real estate services to be executed as of the date first above written.

ATTEST:

TOWNSEND HOLDINGS LLC
Federal Tax Identification Number:

BY: _____
NAME: _____ Date _____
TITLE: _____

BY: _____
NAME: _____ Date _____
TITLE: _____

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

BY: *Glenn E. Becker* 6/30/14
NAME: Glenn E. Becker Date
TITLE: Chairman

Approved for form and legality:

Approved:

BY: *Karen M. Damiano-Stahler*
NAME: *Karen M. Damiano-Stahler*
TITLE: *Deputy Chief Counsel, SERS*
~~Office of Attorney General~~
Per Delegation of Authority

BY: *Brian E. McDonough* 6/30/14
NAME: *BRIAN E. McDonough* Date
TITLE: SERS Counsel

BY: *Karen M. Damiano-Stahler* 6/30/14
NAME: *Karen M. Damiano-Stahler* Date
TITLE: *Deputy Chief Counsel, SERS*
~~Office of General Counsel~~
Per Delegation of Authority

Exhibit A



PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM

**Commonwealth of Pennsylvania
State Employees' Retirement Board
Statement of Investment Policy**

**Adopted April 21, 2004
Amended April 29, 2009**

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**Commonwealth of Pennsylvania
State Employees' Retirement Board
Statement of Investment Policy**

I. Introduction

The State Employees' Retirement Fund ("Fund") was established in 1923 by an act of the Pennsylvania legislature. The purpose of the Fund is the accumulation of funds exclusively for the benefit of the members and beneficiaries of members of the State Employees' Retirement System ("SERS" or the "System") for the payment of withdrawal, retirement, disability, and death benefits as provided in Pennsylvania Consolidated Statutes Title 71, Part XXV ("Retirement for State Employees and Officers"). The Fund is under the exclusive control and management of an eleven member Board of Trustees ("Board"). Six members are appointed by the Governor and confirmed by the State Senate to four-year terms. Two members of the Senate are appointed by the President Pro Tempore of the Senate, and two members of the House by the Speaker of the House, and serve on the Board for the duration of the terms for which they were elected. The State Treasurer serves as a member of the Board, ex-officio.

The Statement of Investment Policy (the "Policy") was originally adopted by the Board on September 19, 1979 and was last revised by Board action on April 29, 2009.

II. Statement of Purpose of Investment Policy

This document specifically outlines the investment philosophy and practices of SERS and has been developed to serve as a reference point for the management of the System's assets. The purpose of this Policy is to formalize the Board's investment objectives and policies, and to define the duties and responsibilities of the various individuals and entities involved in the investment process. The assets of the SERS will be managed with the primary objective of the payment of benefit obligations to participants in the plans. The secondary objective of the Board's policy is to maximize return with acceptable risk considerations and sufficient liquidity so that employer contributions can be minimized. Therefore, it is crucial that the Board adopt a long-term plan by which the assets of the System will be managed and enhanced through prudent investments. This Policy is intended to ensure that the level of assets is adequate to cover the accumulated liabilities of the System. **This is an official policy document of SERS. Deviation from this document is not permitted without explicit written permission, in advance, from the Board.**

In developing this Policy, the Board understands and accepts its fiduciary obligations to the members of the System. These obligations are legal in nature, and are outlined in Title 71, Pennsylvania Consolidated Statutes, Section 5931, a copy of which is attached hereto as Appendix I.

III. Prudent Investor Standard

The Board's investment authority is governed by the "prudent investor" standard as set forth in Title 71, Pennsylvania Consolidated Statutes, Section 5931(a):

Control and management of fund. The members of the board shall be the trustees of the fund. Regardless of any other provision of law governing the investments of funds under the control of an administrative board of the State government, the trustees shall have exclusive control and management of the said fund and full power to invest the same in accordance with the provisions of this section, subject, however, to the exercise of that degree of

judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital. The trustees shall have the power to hold, purchase, sell, lend, assign, transfer or dispose of any of the securities and investments in which any of the moneys in the fund shall have been invested as well as of the proceeds of said investments, including any directed commissions which have accrued to the benefit of the fund as a consequence of the investments, and of any moneys belonging to said fund, subject in every case to meeting the standard of prudence set forth in this subsection.

No provision of this Policy shall be construed in contravention of the Board's statutory investment authority found in Title 71, Pennsylvania Consolidated Statutes, Section 5931.

IV. Fiduciary Status, Duties, and Responsibilities of Board, Staff, Investment Advisors, Other Agents, and State Treasurer

SERS is one of the larger public pension funds in the United States. Due to its size and investment structure, its operational requirements are complex. In order to administer the System and carry out its investment obligations, the Board relies heavily on both staff and external contractors. Because of the number of parties involved, their roles as fiduciaries must be clearly identified. Such identification increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

A. Board of Trustees

Title 71, Pennsylvania Consolidated Statutes, Section 5931(e) provides, in part, as follows:

The members of the board, employees of the board, and agents thereof shall stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto.

In exercising this fiduciary responsibility, the members of the Board, employees of the Board, and agents of the Board are governed by the "prudent investor" standard and the exclusive benefit standard. The exclusive benefit standard requires these parties to act solely within the interests of the plan's participants and beneficiaries, and for the exclusive purpose of providing benefits to participants and beneficiaries.

The Board may, when possible and consistent with its fiduciary duties imposed by law, including its obligation to invest and manage the Fund for the exclusive benefit of the members of the System, consider whether an investment in any project or business enhances and promotes the general welfare of the Commonwealth and its citizens. Where investment characteristics, including yield, risk, and liquidity, are equivalent, the Board's policy favors investments that will have a positive impact on the economy of Pennsylvania.

The members of the Board are responsible as trustees for the proper management of the assets of the Fund. The Board has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the System's operations. Specifically with regard to investments, the Board seeks the recommendations of the staff and consultants prior to taking action. In carrying out these duties, the Board will be responsible for:

1. Reviewing and approving each year an Annual Strategic Investment Plan that sets forth the direction of the Fund and work plan initiatives for the coming two years. This Annual Strategic Investment Plan shall incorporate proposed percentage allocations to asset classes, portfolio component definitions and types and proportions of assets within each asset class.
2. Approving the engagement and termination of investment advisors. Staff and consultants will identify potential candidates. Potential advisors will be evaluated based on their ability to achieve the objectives outlined in the Annual Strategic Investment Plan and their demonstrated experience and expertise for the specific mandate. Board suggestions for potential advisors who meet these criteria will be evaluated by staff and consultants. While individual Board Members may meet with prospective advisors, all group meetings involving a quorum of Board Members for a presentation by prospective advisors shall be through formal Board meetings or Board Committee meetings. Staff and consultants are jointly responsible for carrying out the research and due diligence to identify qualified candidates, or support terminations, and make recommendations back to the Board.
3. Approving the engagement and termination of consultants.
4. Reviewing the investment performance of the Fund.
5. Reviewing and approving the Certified Annual Financial Report.
6. Reviewing and approving the annual actuarial report, assumptions and funding level and, reviewing and approving an actuarial experience study that is to be conducted no less than every five years.
7. Reviewing and approving the results of an asset liability study on a periodic basis, but not less than every five years.
8. Reviewing and adopting the proxy voting guidelines.
9. Oversight and monitoring of staff.

In discharging these responsibilities, the Board has delegated certain functions to the staff and to various contractors who provide professional services to the Board. All persons who act as agents of the Board shall adhere to the highest standards of professional integrity and honesty.

B. State Employees' Retirement Board Staff

The Executive Director is responsible for administrative matters relating to the operations of the System. The Chief Investment Officer is charged with the coordination of all investment activities and matters within the System. The Investment Office reports to the Board on emerging trends and issues of concern to public pension funds generally and to the Fund in particular. The Investment Office is responsible to the Board to review and analyze the current investment climate, and to recommend adjustments with respect to this Policy that are appropriate to take optimum advantage of new conditions and strategies as they arise in the market place. To ensure that the goals and objectives of the Board are being fulfilled, the Investment Office also reviews and analyzes the philosophies, policies, and strategies employed

by the investment advisors, evaluating the appropriateness of their decision-making processes and their investment styles in relation to present and projected investment horizons.

The Chief Investment Officer of the System is charged with the following responsibilities:

1. To manage, on a day-to-day basis, the portfolio, its components and agents;
2. To authorize receipt or payment for the acquisition or disposition of investments;
3. To act as liaison on behalf of the Board with all investment related contractors;
4. To review and analyze all investment transactions for conformity to applicable laws, regulations, each advisor's investment strategy statement and this Policy;
5. To review investment proposals presented by investment advisors and where appropriate summarize and recommend the same for Board consideration;
6. To analyze and summarize for the Board pertinent information from relevant publications, discussions, meetings, and research on current investment related topics;
7. To respond to inquiries from the Board and Pennsylvania Legislature, the membership, the press, other governmental representatives, and the public concerning the investments of the Fund;
8. To prepare the Annual Strategic Investment Plan and perform analysis and recommendations for action to present to the Board for approval and implementation consistent with this Policy and achievement of the Board's investment objectives; and
9. To perform such other duties as may be required to implement this Policy.

C. Chief Audit Executive

The chief audit executive reports functionally to the Audit Committee and administratively to the Executive Director. The internal auditor is independent of the System's operational activity and is responsible for providing objective audit and review services for the entire System, including the Investment Office. The internal auditor's services emphasize the promotion of adequate and effective internal controls at a reasonable cost and result in suggested improvements that will lead to economies and efficiencies in the Systems' operations.

With the advent of the Sarbanes-Oxley Act of 2002, the Board recognized the need for, and to established an audit committee to provide additional oversight relating to the adequacy of internal controls applicable to financial reporting. The audit committee will meet quarterly to discuss audit related issues. The audit committee, at its discretion, may meet with the internal auditor in executive session. The audit committee may make recommendations for changes in internal controls for consideration by the Board but shall have no policy authority.

D. Investment Advisors

The Board continually seeks to employ investment advisors that possess superior capabilities in the management of assets of public retirement systems. The Fund has carefully documented its investment processes, including those related to hiring advisors to manage the Fund's

investments. Those processes are available for review on the Fund's intranet. Each advisor has full discretion to carry out its investment mandate subject to the investment strategy statement contained in the investment management agreement and will be expected to conduct business on behalf of the System in accordance with the mandate for which they were retained. It is the Board's policy to limit the allocation of Fund investments such that no more than 15% of the total market value of Fund assets should be invested in any one investment product offered by an investment advisor, except where management of such investments is of a passive nature (e.g., index funds). Notwithstanding any of the limitations contained in this section, no liquidation of an investment shall be required solely due to changes in market value.

Each advisor's benchmark will reflect that advisor's particular style or tactical role in SERS' investment process. Each benchmark will be clearly specified, measurable and replicable. Benchmarks do not have to be published or widely recognized; they may be "customized" for a particular investment style or styles. The benchmark shall be determined in advance of funding by mutual agreement between the advisor, staff and consultant. In the event of a change in management style, agreed upon change in an advisor's strategy, availability of a better benchmark construction methodology, or changes to or additions in indices, an advisor's benchmark may be modified by mutual consent between the advisor, staff and consultant. Despite the foregoing, it is recognized that benchmarks in the investment industry may fail to capture the investment nuances of an investment advisor, which leads to tracking error relative to the benchmark.

The Board further requires those public markets investment advisors selected and working on its behalf to perform the following activities:

1. To recommend potential changes in their mandate which, in their best professional judgment, are in the best interests of the Fund to meet the investment objectives. Such recommendations include, but are not limited to:
 - a. the allocation of funds among the asset classes;
 - b. specific investment opportunities regarding the acquisition, retention, and disposition of investments;
 - c. the addition, deletion, or modification of authorized investments;
 - d. comment on corporate governance issues.
2. To execute investment transactions on behalf of the Board in a manner that maximizes the investment value of each transaction from the viewpoint of the Fund, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest total cost to the Fund.
3. To report to the Board at least quarterly through the Investment Office, with the exact frequency and format of reporting to be determined by the Investment Office, on the composition and relative performance of the investments in their designated portfolios; the economic and investment outlook for the near and long term; significant changes in the portfolio during the preceding period; and the reasons for any significant differences between the performance of their portfolios and the appropriate market indices or metrics.

4. To make themselves available as needed for meetings with the Board, staff, or agents of the Board regarding investment matters.
5. To comply at all times with all laws, regulations, contractual investment guidelines and reporting requirements as determined by staff.
6. To perform such additional activities as detailed in each advisor's investment management agreement with SERS.

E. General Investment Consultant

The Board's general investment consultant acts as a fiduciary to the Fund, providing reports to the Board on emerging trends and issues of concern to public pension funds generally and to the Fund in particular. The general investment consultant also analyzes and makes recommendations with respect to the Board's asset allocation and investment structure, policies, the investment advisors' implementation of policy and strategy, the appropriate investment horizon for the Fund given its actuarial characteristics, and provides such other research as may be required from time to time.

In addition to the general investment consultant, the Board may retain other investment consultants as required for specialized needs, such as for particular asset classes or unique investment projects. These specialty consultants will report to the Board on emerging trends and issues that are germane to their respective assignments and that are of concern to public pension funds generally and to the Fund in particular. Within the scope of their assignments, the specialty consultants will also analyze and make recommendations with respect to this Policy, the investment advisors' implementation of policy and strategy, and provide such other research as may be needed from time to time.

The general and specialty consultants should be free of conflicts of interest or, where they potentially exist, make complete and total disclosure to the Board.

F. Alternative Investment Consultant

The alternative investment consultant acts as a fiduciary to the Fund, and will provide non-discretionary alternative investment consulting services. The alternative investment consultant will assist staff in performing due diligence investigations on prospective alternative investment opportunities; assist staff with identifying and accessing top-tier and first time/nascent funds; recommend specific alternative investments to SERS and maintain an alternative investment database. The alternative investment consultant will also participate in the development and refinement of alternative investment policies, objectives, strategies, benchmarking, risk assumptions and asset mix appropriate for each sub-asset class; as well as perform qualitative and quantitative portfolio oversight procedures and prepare performance measurement. The alternative investment consultant will make presentations to the Board supporting investment recommendations as they arise, and review performance at least semi-annually.

The alternative investment consultant should be free of conflicts of interest or, where they potentially exist, make complete and total disclosure to the Board and obtain pre-clearance from the Board.

G. Real Estate Consultant

The real estate consultant acts as a fiduciary to the Fund, and will provide non-discretionary real estate investment consulting services. The real estate consultant will assist staff in performing due diligence investigations on prospective real estate opportunities, assist staff with identifying and accessing top-tier funds, recommend specific real estate investments to SERS and maintain a real estate database. The real estate consultant will also participate in the development and refinement of real estate policies, objectives and strategies, benchmarking, risk assumptions and asset mix appropriate for each sub-asset class; as well as perform qualitative and quantitative portfolio oversight procedures and prepare performance measurement. The real estate consultant will make presentations to the Board supporting investment recommendations as they arise, and review performance at least semi-annually.

The real estate consultant should be free of conflicts of interest or, where they potentially exist, make complete and total disclosure to the Board and obtain pre-clearance from the Board.

H. Portfolio Evaluation Advisor

The general investment consultant, or another third party approved by the Board as a portfolio evaluation advisor, will provide quarterly investment performance evaluation and analysis to the Board. The portfolio evaluation advisor will provide to the Board comparative performance measurement against appropriate benchmarks, at the total fund, asset class, sub-asset class and advisor levels for all asset classes except real estate and alternative investments.

These benchmarks will be defined and presented in each quarterly performance report. They are hereby incorporated by reference.

I. State Treasurer

The State Treasurer serves as the custodian of the Fund, pursuant to Title 71, Pennsylvania Consolidated Statutes, Section 5931(c). In this capacity, the State Treasurer is responsible for the safe physical custody of investment instruments and the safe custody of any book-entry investment instruments that are held in depositories on behalf of the Commonwealth. As custodian, the State Treasurer is also responsible for preparing and delivering securities for settlement as authorized by the Board, attending to corporate actions, maintaining a book of record for these securities, facilitating an annual examination of these securities and books, and for preparing payment for securities transactions upon presentation of warrants properly signed and authorized. The State Treasurer may enter into a contract with a sub-custodian bank to assist in the execution of these responsibilities.

The State Treasurer is responsible for the temporary investment of cash balances until funds are required to meet disbursements or to acquire investments.

J. Actuarial Consultant

Pursuant to Title 71, Pennsylvania Consolidated Statutes, Section 5902(j), the Board engages an actuary to perform a valuation of the various accounts of the SERS on an annual basis within six months of the close of each calendar year. In every fifth year, the Board shall have the actuary conduct an actuarial investigation and evaluation of the system based on data including the mortality, service, and compensation experience provided by the Board annually during the preceding five years concerning the members and beneficiaries.

V. Investment Objectives

The State Employees' Retirement Fund is a mature pension plan. The appropriate investment horizon is intermediate to long-term (ten to twenty years) with due consideration of the characteristics of the Fund's liabilities and liquidity requirements.

The objectives of the Fund are to provide benefit payments to participants and beneficiaries at the lowest cost to the Commonwealth and to fund the program through a carefully planned and executed investment program. The Fund seeks to produce the highest return on investment that is consistent with acceptable investment risks and sufficient liquidity that will permit the Fund to meet the System's benefit obligations and secondarily, control the cost of the Fund to the taxpayers. The investment program is premised on modern portfolio theory that states that taking incremental risk will be rewarded. The Board is aware that the high volatility of many classes of investments means that the reward to risk premise may not be fully realized in periods as long as ten years.

The Board, with the help of the staff and consultants, is charged with building a portfolio by carefully assessing the risk and return potential of the global capital markets, and making those investments that are institutionally investable and appear able to contribute to the Fund's long term objectives and goals.

However, investment results can be volatile. SERS' own experience has shown that periods as long as a decade may not produce predicted results. Yet avoidance of investment risk is certain to produce a cost burden for taxpayers beyond acceptable levels.

Consistent with achieving these objectives the Board has established the following goals relative to investment performance:

- Achieve a net total return equivalent to the actuarial interest rate assumption, or preferably in excess of this rate in order to improve the funded ratio of the Fund through investment earnings and favorably impact future employer contribution rates.
- Achieve a net total long term return that meets or exceeds an appropriate, composite Plan benchmark index on a five to ten year rolling time horizon. The composite benchmark index will be based on the asset allocation set forth in the Strategic Plan approved by the Board annually.

VI. Investment Guidelines

The allocation of funds to various types of investment is of utmost importance in structuring an efficient portfolio designed to meet the Fund's investment objectives. In order to assure the most beneficial allocation of funds, the Board shall, with the advice of SERS investment staff, consultants and investment advisors, adopt an Annual Strategic Investment Plan that will be revised and updated yearly. This plan will set forth the target asset allocation and investment design for each sector of the Fund and identify work initiatives to be pursued over the near term. Furthermore, each investment advisor shall abide by specific investment guidelines that will be consistent with this Policy and the Annual Strategic Investment Plan so as to better ensure that the Fund's broad

investment objectives will be met. The advisors' specific investment guidelines may be amended from time to time by mutual written consent of the staff and the advisor.

The Annual Strategic Investment Plan shall serve as the controlling guide in the allocation of funds to various types of investments to provide appropriate diversification of the Fund's assets over the investment horizon. Diversification is the Board's most important risk management tool. No asset class performs well in all time periods, and different asset classes react differently during the various stages of economic cycles. Economic cycles can generally be categorized as rising or falling growth and rising or falling inflation. Many factors affect global economic cycles (e.g., fiscal, political, environmental, supplies of labor and materials) and they are often unpredictable. As a result, a well diversified investment portfolio is the best tool to achieve long-term target investment returns. If at any time the economic, fiscal, or investment environment should change significantly during the investment horizon, it shall be the duty of the staff, investment advisors, and consultants to so inform the Board and, if warranted, recommend modifications to the Annual Strategic Plan or adjustment to the allocation of investment assets.

In the application and implementation of this Policy and the Annual Strategic Investment Plan, the Chief Investment Officer has the authority to interpret the investment strategy statements to meet individual portfolio needs and to determine the appropriateness of any investment. On material policy issues and dollar amounts, the Chief Investment Officer, in consultation with the Board Chairman, will evaluate and determine the appropriateness of any investment. All interpretations of material policy issues and dollar amounts will be reported at the next regularly scheduled Board meeting.

The Advisor's Investment Strategy Statements, the Derivatives Policy Statement, the Real Estate Statement of Investment Policy and the Alternative Investments Statement of Investment Policy compliment this Policy covering these strategies and asset classes. See §XIII hereof for a list of documents incorporated by reference into this Policy.

VII. Prohibited Transactions

Investment advisors are prohibited from entering into any transactions on behalf of the Fund that are not expressly authorized by this Policy or by specific investment advisor guidelines. All advisors and consultants shall disclose any and all economic positions that may conflict with SERS' investment objectives and guidelines. Transactions not expressly authorized by this Policy shall be subject to Section VI, paragraph 3 of this Policy.

VIII. Investment Advisor Evaluations

The Board endeavors not to make adverse retention decisions about investment advisors based upon performance absent at least three years of performance data, recognizing that investment strategies are best assessed over full market cycles.

The Board's time horizon to review performance trends shall normally be over full market cycles, although the trend in investment experience over other time periods may be judged important. Any extreme or unusual events or trends will be considered when evaluating intermediate and short-term investment results. Public Markets Advisor Retention Guidelines have been developed in order to assist staff in applying consistent criteria to evaluate investment advisors and are related to this Policy.

Notwithstanding the above, the staff will review advisor performance, portfolio positioning, and transactions at least annually.

IX. Corporate Governance Standards

Good corporate governance promotes responsible business practices that serve as an integral component to a corporation's long-term value creation process and are an indispensable element of an effective corporate risk management program.

SERS is committed to improve corporate governance practices of the companies within the SERS portfolio. SERS' involvement includes: the development and annual updating of the Board approved proxy-voting policy, voting proxies, active participation in groups working to improve and enhance corporate governance practices and ad hoc responses to important issues that affect the value of the portfolio, such as letters responding to regulatory and legislative proposals.

Annually, the proposed updates to the proxy voting policies shall be prepared by the Investment Office and submitted to the Board for approval. In the annual update of the policies, the Investment Office shall seek to develop best practices. Best practices shall be developed through relationships with groups working to improve and enhance corporate governance practices and input that focuses on improving corporate governance practices from other prominent plan sponsors.

In addition, SERS monitors and, where appropriate, incorporates best corporate governance practice recommendations from organizations into the proxy voting guidelines. As good corporate governance practices are not static, the annual proxy voting modifications attempt to reflect the current trends in the marketplace.

A. Proxy Voting Procedures

Stock proxies are voted in accordance with the following procedures:

1. The custodian bank forwards to SERS' proxy servicer or advisor proxy statements for securities that SERS owns, excluding securities that are on loan, or investments in the form of pooled funds and limited partnerships.
2. SERS' proxy servicer or advisor will vote all proxies in accordance with the Board's proxy voting guidelines, except those where a specific concern has been raised by a Board Member, advisor, consultant, or staff member.
3. The proxy servicer or advisor may also vote any proxy involving other issues essentially the same as those on which the Board's proxy voting guidelines are well defined.
4. With regard to proxies requiring special attention under the Board's proxy voting guidelines, as well as special issues not covered or anticipated by the proxy voting guidelines, proxies and all pertinent reference material shall be sent to the Chief Investment Officer, who will evaluate the issues with respect to the intent of the proxy voting guidelines. On issues not covered by the proxy voting guidelines, controversial, high-profile, and contested change of control issues, the Chief Investment Officer will consult with the Board's chairman to determine how such proxies will be voted. The Chief Investment Officer will then direct the proxy servicer or advisor to vote the proxies accordingly.
5. The Chief Investment Officer shall regularly report to the Board the types of special issues that are being considered or that have been voted by the Chief Investment Officer.
6. The Chief Investment Officer shall cause to be maintained by SERS' proxy servicer, or advisor, a listing of proxy votes cast in a calendar year. This report, along with all individual actions, shall be available for public inspection on SERS' Internet web site.

B. Corporate Actions

The custodian bank has standing instructions to forward notices of all corporate actions received, such as dividends, stock splits, mergers, acquisitions, spin-offs or class action suits to SERS or its investment advisors.

X. Trading and Brokerage Practices

The Board delegates the responsibility for the selection of brokerage firms to its investment advisors, provided that the investment advisors select and utilize brokers in accordance with Section IV, D-2 ("best execution") of this Policy. Notwithstanding this practice, the Board reserves the right to enter into a brokerage commission recapture programs, and to establish goals for directed commissions. Provided that the advisors' investment processes are not affected so as to adversely impact the Fund or place the Fund in a disadvantageous position relative to the advisors' other accounts, advisors may be requested to direct a percentage of their brokerage activity on behalf of SERS. The Board will select the brokerage firms that are designated to receive such directed commissions, and will communicate this information to the advisors.

The Board also seeks to have advisors direct trades through minority owned firms and reserves the right to establish proposed trading targets. However, the responsibility for the selection and use of minority brokerage firms is delegated to the investment advisors.

Finally, all things being equal, the Board seeks to have investment advisors trade through Pennsylvania-based brokers.

Efforts to monitor and control trading costs will be ongoing, and may include the periodic use of formal trading cost analyses.

XI. Public Access to Records

Records of investment transactions are maintained by the System at its office located at 30 North Third Street, Harrisburg, PA 17101. Requests for public inspection or copies of documents that are a matter of public record will be honored in a manner consistent with the Pennsylvania Right-to-Know Law (RTKL), 65 P.S. §§ 101 - 3104, and SERS' Right-To-Know Law Policy regarding the dissemination of public information. Inquiries should be directed to SERS' Right-to-Know Law Open-Records Officer. This Right-to-Know Law Policy is incorporated by reference into this Policy.

XII. Procedures for Amending this Policy Statement

This Policy may be amended from time to time by a majority vote of the Board.

XIII. Separate Documents Related to this Policy Statement

The following documents are incorporated by reference into this Policy and as such are considered part of this Policy as though they were presented in entirety within this Policy:

1. SERS Annual Strategic Investment Plan
(adopted annually by the Board)
2. Public Markets Investment Advisor Investment Strategy Statements
(negotiated as part of the contracting process after Board appointment)
3. Real Estate Investment Policy Statement
(adopted by the Board)
4. Alternative Investments Policy Statement
(adopted by the Board)
5. Proxy Voting Guidelines
(adopted annually by the Board)
6. Public Markets Advisor Retention Guidelines
(reviewed by Board)
7. Right-To-Know Law Policy
(adopted by the Board)
8. Derivatives Investment Policy Statement
(reviewed by Board)
9. Portfolio Rebalancing Policy
(reviewed by Board)
10. Advisor, Asset Class, and Fund Benchmarks as reported in the Quarterly Performance Report
(reviewed by Board)
11. SERS Investment Policies and Procedures
(approved by Chief Investment Officer)
12. SERS Securities Litigation Policy
(adopted by Board)
13. SERS Securities Lending Policy
(reviewed by Board)

XIV. Glossary of Terms

Asset Allocation – investment choice made among broad asset classes such as equities, fixed income securities, real estate, etc.

Brokerage Commission – payment for administrative costs of trading securities; the cost for execution.

Brokerage Commission Recapture – reimbursement to the Fund for a portion of the fee paid to a broker for executing a trade.

Corporate Governance – the procedures by which a corporation conducts its affairs.

Corpus –specifically, the investment portfolio of SERS.

Fiduciary – one who can exercise discretionary authority or can control or influence important aspects of a pension plan's management.

Fixed Income Investment – a security issued by a borrower that obligates the issuer to make specified payments to a holder over a specific period. May also be referred to as "debt" or "bonds".

Net Total Return – interest or dividend income plus any realized or unrealized capital gain (or loss) on an investment, net of any capital contributions or distributions from the corpus.

Proxy – an instrument empowering an agent to vote for a shareholder.

Qualitative Oversight – analysis that evaluates important factors that cannot be precisely measured, e.g., experience, caliber of management, investment philosophy and strategy.

Quantitative Oversight – analysis dealing with measurable factors, such as value of securities, the cost of capital, historical and projected patterns of sales, costs, profitability, returns, risk. Used in tandem with qualitative oversight to arrive at sound business and financial judgments.

Risk – the uncertainty of outcome or the likelihood of not meeting an objective.

Short-Term Investment – any fixed income investment with less than one year to maturity.

Tracking Error – the annual standard deviation of an advisor's performance results from the advisor's benchmark.

APPENDIX I

Title 71, Pennsylvania Consolidated Statutes, Section 5931, specifies the investment authority of the State Employees' Retirement Board. The relevant investment sections of this legislation are reproduced here and incorporated into the Statement of Investment Policy as Appendix I. In the event of changes in the statutes, the amended statutes shall control.

Section 5931. Management of fund and accounts

- (a) Control and management of fund. – The members of the board shall be the trustees of the fund. Regardless of any other provision of law governing the investments of funds under the control of an administrative board of the State government, the trustees shall have exclusive control and management of the said fund and full power to invest the same in accordance with the provisions of this section, subject, however, to the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital. The trustees shall have the power to hold, purchase, sell, lend, assign, transfer or dispose of any of the securities and investments in which any of the moneys in the fund shall have been invested as well as of the proceeds of said investments, including any directed commissions which have accrued to the benefit of the fund as a consequence of the investments, and of any moneys belonging to said fund, subject in every case to meeting the standard of prudence set forth in this subsection.
- (b) Crediting of interest. – The board, annually, shall allow the required interest on the mean amount for the proceeding year to the credit of each of the accounts. The amount so allowed shall be credited thereto by the board and transferred from the interest reserve account.
- (c) Custodian of fund. – The State Treasurer shall be the custodian of the fund.
- (d) Payments from fund. – All payments from the fund shall be made by the State Treasurer in accordance with requisitions signed by the secretary of the board, or his designee, and ratified by resolution of the board.
- (e) Fiduciary status of board. – The members of the board, employees of the board and agents thereof shall stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto. The board may, when possible and consistent with its fiduciary duties imposed by this subsection or other law, including its obligation to invest and manage the fund for the exclusive benefit of the members of the system, consider whether an investment in any project or business enhances and promotes the general welfare of this Commonwealth and its citizens, including, but not limited to, investments that increase and enhance the employment of Commonwealth residents, encourage the construction and retention of adequate housing and stimulate further investment and economic activity in this Commonwealth. The board shall, through the Governor, submit to the General Assembly annually, at the same time the

board submits its budget covering administrative expenses, a report identifying the nature and amount of all existing investments made pursuant to this subsection.

- (f) Name for transacting business. – By the name of “The State Employees’ Retirement System” or “The State Employees’ Retirement System” all of the business of the system shall be transacted, its fund invested, all requisitions for money drawn and payments made, and all of its cash and securities and other property shall be held, except that, any other law to the contrary notwithstanding, the board may establish a nominee registration procedure for the purpose of registering securities in order to facilitate the purchase, sale or other disposition of securities pursuant to the provisions of this law.
- (g) Deposits in banks and trust companies. – For the purpose of meeting disbursements for annuities and other payments in excess of the receipts, there shall be kept available by the State Treasurer an amount, not exceeding 10% of the total amount in the fund, on deposit in any bank or banks in this Commonwealth organized under the laws thereof or under the laws of the United States or with any trust company or companies incorporated by any law of this Commonwealth, provided any of such banks or trust companies shall furnish adequate security for said deposit, and provided that the sum so deposited in any one bank or trust company shall not exceed 25% of the paid-up capital and surplus of said bank or trust company.
- (h) Venture capital, private placement and alternative investments. – The board in its prudent discretion may make any venture capital investment, private placement investment or other alternative investment of any kind, structure or manner which meets the standard of prudence set forth in subsection (a).
- (i) Vehicles for authorized investments. – The board in its prudent discretion may make any investments which meet the standard of prudence set forth in subsection (a) by acquiring any type of interest in a business organization existing under the laws of any jurisdiction, provided that, in any such case, the liability of the State Employees’ Retirement Fund shall be limited to the amount of its investment.
- (j) Legislative declaration concerning certain authorized investments. – The General Assembly finds and declares that authorized investments of the fund made by or on behalf of the board under this section whereby the board becomes a joint owner or stockholder in any company, corporation association or other lawful business organization are outside the scope of the original intent of and therefore do not violate the prohibition set forth in section 8 of Article VIII of the Constitution of Pennsylvania.

Exhibit B



PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM

**Commonwealth of Pennsylvania
State Employees' Retirement Board**

Real Estate Statement of Investment Policy

**Adopted April 21, 2004 and
Amended April 29, 2009**

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Commonwealth of Pennsylvania
State Employees' Retirement Board
Real Estate Statement of Investment Policy

Pursuant to Title 71, Section 5931, the Board of Trustees ("Board") of the Commonwealth of Pennsylvania State Employees' Retirement System (the "Fund" or "System") is establishing this Real Estate Statement of Investment Policy ("Policy") to set forth the long-term objectives and policies for real estate investments. The Board may amend this Policy Statement in whole or in part or provide for certain exceptions to it.

I. INTRODUCTION

The Board has determined that, over the long term, inclusion of real estate should provide the following benefits to the Fund's overall portfolio in the order of their importance:

- Lower portfolio risk due to low correlation with other portfolio asset classes;
- A hedge against inflation; and
- A total return between that of stocks and bonds.

In order to achieve these benefits, this Statement of Investment Policy establishes the specific objectives and policies required for the implementation and oversight of the Fund's real estate program. The objectives define the specific risk tolerance and return expectations for the program. The policies provide specifications for acceptable investment styles and management of the various risks associated with the asset class. The members of the board, employees of the board, and agents thereof shall stand in a fiduciary relationship to the members of the System within the constraints of the "prudent investor" standard.

II. INVESTMENT OBJECTIVES

A. Asset Allocation

The Board approves a strategic long-term asset allocation target for real estate annually as part of the Annual Strategic Investment Plan that is based on analysis of the overall long-term opportunities.

B. Return Objective

The Fund's performance objective for real estate is to produce a total return, net of managers' fees, that exceeds a weighted before fee index benchmark for rolling five-year periods. The weighted index currently consists of three categories; the NCREIF Property Index, the Wilshire Real Estate Securities Index, and the NCREIF Timber Sub-Index.

III. INVESTMENT POLICIES

A. Investment Universe

The universe of investable real estate opportunities for the Fund is large and diverse and is constantly changing. The Fund anticipates that it will invest in, but it will not be limited to, the following three sectors:

1. Private market equity and debt investments in real estate and real estate related companies;
2. Public market investments in real estate investment trusts (REITs) and real estate operating companies;
3. Private equity investments in timber and agricultural properties.

B. Portfolio Composition

1. Allocation to Sectors
Each year as part of the Annual Strategic Investment Plan the Board shall approve allocations to each of the above three sectors (private market real estate, public real estate securities, and timber and agriculture).
2. Allocation within Sectors
Allocations and investments will be made within each sector that may cause the composition of that sector of the program to vary from the composition of that sector's benchmark. These allocations and investments will be made for the purpose of causing the sector to achieve higher returns and/or superior risk-adjusted returns in order to achieve the program's return objective and the benefits for which the allocation to the asset class was made. Examples of variances from the sector benchmark for private real estate may include property type and location diversification, operating cycle, and leverage. Each sector will be evaluated relative to its benchmark, and the evaluation will include an analysis of the composition of the sector relative to its benchmark.

C. Risk Management

Investments in the asset class of real estate have risks, including property level risks, manager risk and real estate and capital market risks. The Fund will attempt to mitigate risk in a prudent manner. The following policies have been established to address and manage the risks involved in investing in real estate.

1. Investment Structures
The Fund recognizes that real estate is an illiquid asset class. Vehicles that maximize the Fund's control, including the ability to exit an investment are preferred, but the Fund acknowledges that it may use vehicles with limited control in order to achieve certain goals, such as diversification, access to specialized investments or manager expertise. Limiting the exposure to any single investment strategy and/or manager will be used to mitigate the risk associated with reduced investor control. The Fund will use the following investment structures:

- a. **Individually Managed Accounts**
The Fund may purchase assets on a wholly owned basis through Individually Managed Account structures. The Individually Managed Account structure is the preferred investment vehicle, except when pooled investment vehicles offer an identifiable advantage for accessing a particular investment strategy. The Individually Managed Account manager may consider joint venture or co-investment ownership within Individually Managed Account structures.
 - b. **Pooled Investment Vehicles**
Investment opportunities may be accessed through the ownership of units or shares of a Pooled Investment Vehicle. Any legally permissible vehicle is allowed, including, but not limited to, joint ventures, limited partnerships, public and private real estate investment trusts, insurance company separate accounts and limited liability corporations. Preference will be given to those Pooled Investment Vehicle's that offer greater investment and reporting transparency.
2. **Diversification**
The Fund will seek to diversify its real estate portfolio by manager, property type and property location:
- a. **Manager**
No single investment manager shall manage more than 25% of the total real estate allocation determined by the Board.
 - b. **Property Type and Property Location**
Diversification by property type and location will be monitored and prudently managed, but the Fund recognizes that its diversification relative to benchmark may vary due to current opportunities available in the market and expectations for optimal risk-adjusted returns going forward. Diversification by geography includes international investments.
3. **Leverage**
The Fund shall seek to constrain leverage within the separate account component of the real estate portfolio to 60%. The preference is to provide the managers the discretion to use leverage within contractual guidelines when accretive to returns without significantly increasing risk.
4. **Investment Size**
At no time shall the net investment amount in a single property within an Individually Managed Account exceed ten percent (10%) of the net market value of the total Fund's real estate portfolio at the time of investment. The Fund's investment in a single Pooled Investment Vehicle may not exceed ten percent (10%) of the net market value of the real estate portfolio at the time of investment.
5. **Valuation**
All investments in an Individually Managed Account will be independently valued not less than once every three years by a qualified MAI designated appraiser. During interim periods, the Investment Manager responsible for the investments will perform

the valuations. Investments held in Pooled Investment Vehicles shall be valued using the methodology approved with the selection of the Pooled Investment Vehicle.

6. International Investing
Targeted international investments shall be permitted as approved by the Board. Incidental non-domestic real estate exposure may exist from Pooled Investment Vehicle investments.

D. Investment Manager Selection, Control and Monitoring

1. Individually Managed Accounts

The following procedures will be used in the selection and monitoring of investments in Individually Managed Accounts.

- a. Manager Selection Process
 - 1) Investment managers (both Individually Managed Account and Pooled Investment Vehicle managers) must have significant and direct experience investing and managing money for institutional investors. The manager must have expertise and experience in pricing, selection, structuring and negotiating real estate investments. It is preferable that key investment personnel have a successful track record of implementing the strategy proposed for this investment, and managing portfolios of capital similar in size to the amount currently sought. Staff and Consultant shall establish specific qualification criteria, desired levels of competency, and respective evaluation factors consistent with the purpose of each search for an Individually Managed Account manager.
 - 2) Staff and Consultant shall meet with and review and evaluate preferred candidates based upon the established criteria.
 - 3) Staff and Consultant shall recommend to the Board in writing the manager or managers to be interviewed and selected by the Board.
- b. Control and Monitoring
 - 1) Preliminary Investment Summary
Prior to closing an investment, the manager shall provide a Preliminary Investment Summary to Staff. The preliminary package shall include an analysis of the merits, projected return and exit strategy for the proposed investment.
 - 2) Reporting
Individually Managed Account managers shall adhere to the most recent version of the Real Estate Information Standards established jointly by the National Council of Real Estate Investment Fiduciaries, the Pension Real Estate Association, and the National Association of Real Estate Investment

Managers and comply with AIMR Performance Presentation Standards and generally accepted accounting principals (GAAP). Managers will submit on an annual basis a third-party audited financial statement of the account managed by the Individually Managed Account manager.

3) Responsible Contracting

Managers of the Funds' wholly-owned assets in Individually Managed Accounts shall support and encourage the engagement of responsible contractors to provide building construction and maintenance services for such assets, subject to adherence to the Fund's fiduciary principles of loyalty, care, skill, prudence, and diligence. In all respects, such managers shall recognize and adhere to the principle that only the involved contractor has control over (1) the means and manner by which the contracted services are provided, and (2) the contractor's labor relation policies.

A responsible contractor is a contractor who, among other things: (1) has the appropriate experience, reputation, employee relations, responsiveness, fees and dependability to perform required work; and (2) provides workers a fair wage and fair benefits for the required work, based on local market conditions. The utilization of such contractors may add value to the Funds' investments by ensuring that essential building and construction services are provided by adequately trained, experienced and motivated workers.

The Board recognizes the right, as provided by law, of eligible employees to organize into a union or to not organize into a union, as the employees choose, and encourages contractors providing building construction and management services for the Fund's wholly-owned assets in Individually Managed Accounts to recognize and not impermissibly interfere with the lawful exercise of those rights and, upon a proper request, to bargain in good faith with any such lawfully recognized union.

Managers of the Fund's wholly-owned assets in Individually Managed Accounts and contractors providing building construction and maintenance services for such assets shall comply with applicable federal, state and local laws, regulations and ordinances, including (but not limited to) those related to insurance, tax withholdings, minimum wage, health and safety, labor, and environmental matters.

With respect to those assets that the Fund does not wholly-own, it is desirable that the entity owning such assets comply with the foregoing policy statement.

4) Budget and Management Plan

Not more than 90 days after the end of the calendar year, Staff and Consultant shall meet with the manager of personnel directly responsible for Individually Managed Account portfolio and asset management for a review and evaluation of the manager's Budget and Management Plan, which shall include a summary of the prior year's financial performance, budgeted projections for the ensuing year, and the Manager's current hold/sell recommendation for each property.

2. Pooled Investment Vehicles

The following procedures will be used in the selection and monitoring of investments in Pooled Investment Vehicles.

a. Selection Process

- 1) Subject to the minimum manager criteria stated in subsection D(1)(a)(1) above, Staff and Consultant shall establish qualification criteria consistent with the purpose of the search for each Pooled Investment Vehicle manager.
- 2) Staff and Consultant shall meet with and evaluate preferred candidates based upon the established criteria.
- 3) Staff and Consultant shall recommend to the Board in writing the Pooled Investment Vehicle manager or managers to be interviewed and selected by the Board.

b. Closing Process

Completion of due diligence requires Fund counsel review of the Pooled Investment Vehicle's formation and associated legal documents.

c. Control and Monitoring

Manager shall provide unaudited quarterly statements and reports and annual audited statements, which comply with generally accepted accounting procedures (GAAP). Annual meetings are typically conducted to discuss important developments regarding investment and management issues.

E. Discretionary Authority

The Board provides complete investment discretion within contractual guidelines to its advisors regarding the acquisition, management and disposition of real estate holdings.

F. Performance Measurement Report

Consultant shall provide performance measurement reports on a quarterly basis reviewing compliance with the Annual Investment Plan and this Policy Statement. The report shall also include attributes for both the investment managers and the total portfolio including: income, appreciation, gross and net returns; cash flow; diversification; and comparisons with relevant industry performance indices.

APPENDIX I

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- (b) Crediting of interest. – The board, annually, shall allow the required interest on the mean amount for the proceeding year to the credit of each of the accounts. The amount so allowed shall be credited thereto by the board and transferred from the interest reserve account.
- (c) Custodian of fund. – The State Treasurer shall be the custodian of the fund.
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- (e) Fiduciary status of board. – The members of the board, employees of the board and agents thereof shall stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto. The board may, when possible and consistent with its fiduciary duties imposed by this subsection or other law, including its obligation to invest and manage the fund for the exclusive benefit of the members of the system, consider whether an investment in any project or business enhances and promotes the general welfare of this Commonwealth and its citizens, including, but not limited to, investments that increase and enhance the employment of Commonwealth residents, encourage the construction and retention of adequate housing and stimulate further investment and economic activity in this Commonwealth. The board shall, through the Governor, submit to the General Assembly annually, at the same time the

board submits its budget covering administrative expenses, a report identifying the nature and amount of all existing investments made pursuant to this subsection.

- (f) Name for transacting business. – By the name of “The State Employees’ Retirement System” or “The State Employees’ Retirement System” all of the business of the system shall be transacted, its fund invested, all requisitions for money drawn and payments made, and all of its cash and securities and other property shall be held, except that, any other law to the contrary notwithstanding, the board may establish a nominee registration procedure for the purpose of registering securities in order to facilitate the purchase, sale or other disposition of securities pursuant to the provisions of this law.
- (g) Deposits in banks and trust companies. – For the purpose of meeting disbursements for annuities and other payments in excess of the receipts, there shall be kept available by the State Treasurer an amount, not exceeding 10% of the total amount in the fund, on deposit in any bank or banks in this Commonwealth organized under the laws thereof or under the laws of the United States or with any trust company or companies incorporated by any law of this Commonwealth, provided any of such banks or trust companies shall furnish adequate security for said deposit, and provided that the sum so deposited in any one bank or trust company shall not exceed 25% of the paid-up capital and surplus of said bank or trust company.
- (h) Venture capital, private placement and alternative investments. – The board in its prudent discretion may make any venture capital investment, private placement investment or other alternative investment of any kind, structure or manner which meets the standard of prudence set forth in subsection (a).
- (i) Vehicles for authorized investments. – The board in its prudent discretion may make any investments which meet the standard of prudence set forth in subsection (a) by acquiring any type of interest in a business organization existing under the laws of any jurisdiction, provided that, in any such case, the liability of the State Employees’ Retirement Fund shall be limited to the amount of its investment.
- (j) Legislative declaration concerning certain authorized investments. – The General Assembly finds and declares that authorized investments of the fund made by or on behalf of the board under this section whereby the board becomes a joint owner or stockholder in any company, corporation association or other lawful business organization are outside the scope of the original intent of and therefore do not violate the prohibition set forth in section 8 of Article VIII of the Constitution of Pennsylvania.

Exhibit C

EXHIBIT D

Exhibit E

**COMMONWEALTH OF PENNSYLVANIA
CONTRACT PROVISIONS**

- I. Term of Contract**
- II. Contractor Integrity Provisions**
- III. Non-Discrimination/Sexual Harassment Clause**
- IV. Contractor Responsibility Provisions**
- V. Assignment of Anti-Trust Claims**
- VI. Offset Provision**
- VII. Certification of Taxpayer Identification Number**
- VIII. Americans With Disabilities Act**
- IX. Recycled Content Products Provision**
- X. Commonwealth Held Harmless**

COMMONWEALTH CONTRACT PROVISIONS

I. TERM OF CONTRACT

The term of the Contract shall commence on the Effective Date (as defined below) and shall end on the Expiration Date identified in the Contract, subject to the other provisions of the Contract.

The Effective Date shall be fixed by the Contracting Officer after the Contract has been fully executed by the Contractor and by the Commonwealth and all approvals required by Commonwealth contracting procedures have been obtained. The Contract shall not be a legally binding contract until after the Effective Date is affixed and the fully executed Contract has been sent to the Contractor.

The Commonwealth reserves the right, upon notice to the Contractor, to extend the term of the Contract for up to three (3) months upon the same terms and conditions. This will be utilized to prevent a lapse in Contract coverage and only for the time necessary, up to three (3) months, to enter into a new contract.

II. CONTRACTOR INTEGRITY PROVISIONS (April 2013)

It is essential that those who seek to contract with the Commonwealth of Pennsylvania ("Commonwealth") observe high standards of honesty and integrity. They must conduct themselves in a manner that fosters public confidence in the integrity of the Commonwealth procurement process.

In furtherance of this policy, Contractor agrees to the following:

- a. Contractor shall maintain the highest standards of honesty and integrity during the performance of this contract and shall take no action in violation of state or federal laws or regulations or any other applicable laws or regulations, or other requirements applicable to Contractor or that govern contracting with the Commonwealth.
- b. Contractor shall establish and implement a written business integrity policy, which includes, at a minimum, the requirements of these provisions as they relate to Contractor employee activity with the Commonwealth and Commonwealth employees, and which is distributed and made known to all Contractor employees.
- c. Contractor, its affiliates, agents and employees shall not influence, or attempt to influence, any Commonwealth employee to breach the standards of ethical conduct for Commonwealth employees set forth in the *Public Official and Employees Ethics Act, 65 Pa.C.S. §§1101 et seq.*; the *State Adverse Interest Act, 71 P.S. §776.1 et seq.*; and the *Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 et seq.*, or to breach any other state or federal law or regulation.
- d. Contractor, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person at the direction or request of any Commonwealth official or employee.
- e. Contractor, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person, the acceptance of which would violate the *Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 et seq.* or any statute, regulation, statement of policy, management directive or any other published standard of the Commonwealth.
- f. Contractor, its affiliates, agents and employees shall not, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any Commonwealth official or employee.

g. Contractor, its affiliates, agents, employees, or anyone in privity with him or her shall not accept or agree to accept from any person, any gratuity in connection with the performance of work under the contract, except as provided in the contract.

h. Contractor shall not have a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material on this project, unless the financial interest is disclosed to the Commonwealth in writing and the Commonwealth consents to Contractor's financial interest prior to Commonwealth execution of the contract. Contractor shall disclose the financial interest to the Commonwealth at the time of bid or proposal submission, or if no bids or proposals are solicited, no later than Contractor's submission of the contract signed by Contractor.

i. Contractor, its affiliates, agents and employees shall not disclose to others any information, documents, reports, data, or records provided to, or prepared by, Contractor under this contract without the prior written approval of the Commonwealth, except as required by the *Pennsylvania Right-to-Know Law*, 65 P.S. §§ 67.101-3104, or other applicable law or as otherwise provided in this contract. Any information, documents, reports, data, or records secured by Contractor from the Commonwealth or a third party in connection with the performance of this contract shall be kept confidential unless disclosure of such information is:

- 1) approved in writing by the Commonwealth prior to its disclosure; or
- 2) directed by a court or other tribunal of competent jurisdiction unless the contract requires prior Commonwealth approval; or
- 3) required for compliance with federal or state securities laws or the requirements of national securities exchanges; or
- 4) necessary for purposes of Contractor's internal assessment and review; or
- 5) deemed necessary by Contractor in any action to enforce the provisions of this contract or to defend or prosecute claims by or against parties other than the Commonwealth; or
- 6) permitted by the valid authorization of a third party to whom the information, documents, reports, data, or records pertain; or
- 7) otherwise required by law.

j. Contractor certifies that neither it nor any of its officers, directors, associates, partners, limited partners or individual owners has been officially notified of, charged with, or convicted of any of the following and agrees to immediately notify the Commonwealth agency contracting officer in writing if and when it or any officer, director, associate, partner, limited partner or individual owner has been officially notified of, charged with, convicted of, or officially notified of a governmental determination of any of the following:

- 1) Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property.
- 2) Commission of fraud or a criminal offense or other improper conduct or knowledge of, approval of or acquiescence in such activities by Contractor or any affiliate, officer, director, associate, partner, limited partner, individual owner, or employee or other individual or entity associated with:
 - a) obtaining;
 - b) attempting to obtain; or
 - c) performing a public contract or subcontract.

Contractor's acceptance of the benefits derived from the conduct shall be deemed evidence of such knowledge, approval or acquiescence.

- 3) Violation of federal or state antitrust statutes.
- 4) Violation of any federal or state law regulating campaign contributions.
- 5) Violation of any federal or state environmental law.
- 6) Violation of any federal or state law regulating hours of labor, minimum wage standards or prevailing wage standards; discrimination in wages; or child labor violations.
- 7) Violation of the *Act of June 2, 1915 (P.L. 736, No. 338)*, known as the *Workers' Compensation Act, 77 P.S. 1 et seq.*
- 8) Violation of any federal or state law prohibiting discrimination in employment.
- 9) Debarment by any agency or department of the federal government or by any other state.
- 10) Any other crime involving moral turpitude or business honesty or integrity.

Contractor acknowledges that the Commonwealth may, in its sole discretion, terminate the contract for cause upon such notification or when the Commonwealth otherwise learns that Contractor has been officially notified, charged, or convicted.

k. If this contract was awarded to Contractor on a non-bid basis, Contractor must, (as required by *Section 1641* of the *Pennsylvania Election Code*) file a report of political contributions with the Secretary of the Commonwealth on or before February 15 of the next calendar year. The report must include an itemized list of all political contributions known to Contractor by virtue of the knowledge possessed by every officer, director, associate, partner, limited partner, or individual owner that has been made by:

- 1) Any officer, director, associate, partner, limited partner, individual owner or members of the immediate family when the contributions exceed an aggregate of one thousand dollars (\$1,000) by any individual during the preceding year; or
- 2) Any employee or members of his immediate family whose political contribution exceeded one thousand dollars (\$1,000) during the preceding year.

To obtain a copy of the reporting form, Contractor shall contact the Bureau of Commissions, Elections and Legislation, Division of Campaign Finance and Lobbying Disclosure, Room 210, North Office Building, Harrisburg, PA 17120.

l. Contractor shall comply with requirements of the *Lobbying Disclosure Act, 65 Pa.C.S. § 13A01 et seq.*, and the regulations promulgated pursuant to that law. Contractor employee activities prior to or outside of formal Commonwealth procurement communication protocol are considered lobbying and subjects the Contractor employees to the registration and reporting requirements of the law. Actions by outside lobbyists on Contractor's behalf, no matter the procurement stage, are not exempt and must be reported.

m. When Contractor has reason to believe that any breach of ethical standards as set forth in law, the Governor's Code of Conduct, or in these provisions has occurred or may occur, including but not limited to contact by a Commonwealth officer or employee which, if acted upon, would violate such ethical standards, Contractor shall immediately notify the Commonwealth contracting officer or Commonwealth Inspector General in writing.

n. Contractor, by submission of its bid or proposal and/or execution of this contract and by the submission of any bills, invoices or requests for payment pursuant to the contract, certifies and represents that it has not violated any

of these contractor integrity provisions in connection with the submission of the bid or proposal, during any contract negotiations or during the term of the contract.

o. Contractor shall cooperate with the Office of Inspector General in its investigation of any alleged Commonwealth employee breach of ethical standards and any alleged Contractor non-compliance with these provisions. Contractor agrees to make identified Contractor employees available for interviews at reasonable times and places. Contractor, upon the inquiry or request of the Office of Inspector General, shall provide, or if appropriate, make promptly available for inspection or copying, any information of any type or form deemed relevant by the Inspector General to Contractor's integrity and compliance with these provisions. Such information may include, but shall not be limited to, Contractor's business or financial records, documents or files of any type or form that refers to or concern this contract.

p. For violation of any of these Contractor Integrity Provisions, the Commonwealth may terminate this and any other contract with Contractor, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all additional costs and expenses incurred in obtaining another contractor to complete performance under this contract, and debar and suspend Contractor from doing business with the Commonwealth. These rights and remedies are cumulative, and the use or non-use of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the Commonwealth may have under law, statute, regulation, or otherwise.

q. For purposes of these Contractor Integrity Provisions, the following terms shall have the meanings found in this Subparagraph.

- 1) "Confidential information" means information that a) is not already in the public domain; b) is not available to the public upon request; c) is not or does not become generally known to Contractor from a third party without an obligation to maintain its confidentiality; d) has not become generally known to the public through a act or omission of Contractor; or e) has not been independently developed by Contractor without the use of confidential information of the Commonwealth.
- 2) "Consent" means written permission signed by a duly authorized officer or employee of the Commonwealth, provided that where the material facts have been disclosed, in writing, by pre-qualification, bid, proposal, or contractual terms, the Commonwealth shall be deemed to have consented by virtue of execution of this contract.
- 3) "Contractor" means the individual or entity that has entered into this contract with the Commonwealth, including those directors, officers, partners, managers, and owners having more than a five percent interest in Contractor.
- 4) "Financial interest" means:
 - a) Ownership of more than a five percent interest in any business; or
 - b) Holding a position as an officer, director, trustee, partner, employee, or holding any position of management.
- 5) "Gratuity" means tendering, giving or providing anything of more than nominal monetary value including, but not limited to, cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind. The exceptions set forth in the Governor's Code of Conduct, Executive Order 1980-18, the 4 Pa. Code §7.153(b), shall apply.
- 6) "Immediate family" means a spouse and any unemancipated child.
- 7) "Non-bid basis" means a contract awarded or executed by the Commonwealth with Contractor without seeking bids or proposals from any other potential bidder or offeror.

- 8) "Political contribution" means any payment, gift, subscription, assessment, contract, payment for services, dues, loan, forbearance, advance or deposit of money or any valuable thing, to a candidate for public office or to a political committee, including but not limited to a political action committee, made for the purpose of influencing any election in the Commonwealth of Pennsylvania or for paying debts incurred by or for a candidate or committee before or after any election.

III. NONDISCRIMINATION/SEXUAL HARASSMENT CLAUSE (April 2013)

The contractor agrees:

- a. In the hiring of any employee(s) for the manufacture of supplies, performance of work, or any other activity required under the contract or any subcontract, the Contractor, each subcontractor, or any person acting on behalf of the Contractor or subcontractor shall not, by reason of gender, race, creed, or color discriminate against any citizen of this Commonwealth who is qualified and available to perform the work to which the employment relates.
- b. Neither the Contractor nor any subcontractor nor any person on their behalf shall in any manner discriminate against or intimidate any employee involved in the manufacture of supplies, the performance of work, or any other activity required under the contract on account of gender, race, creed, or color.
- c. The Contractor and each subcontractor shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined.
- d. The Contractor and each subcontractor shall not discriminate by reason of gender, race, creed, or color against any subcontractor or supplier who is qualified to perform the work to which the contract relates.
- e. The Contractor and each subcontractor shall, within the time periods requested by the Commonwealth, furnish all necessary employment documents and records and permit access to their books, records, and accounts by the contracting agency and the Bureau of Small Business Opportunities (BSBO), for purpose of ascertaining compliance with provisions of this Nondiscrimination/Sexual Harassment Clause. Within fifteen (15) days after award of any contract, the Contractor shall be required to complete, sign and submit Form STD-21, the "Initial Contract Compliance Data" form. If the contract is a construction contract, then the Contractor shall be required to complete, sign and submit Form STD-28, the "Monthly Contract Compliance Report of Construction Contractors", each month no later than the 15th of the month following the reporting period beginning with the initial job conference and continuing through the completion of the project. Those contractors who have fewer than five employees or whose employees are all from the same family or who have completed the Form STD-21 within the past 12 months may, within the 15 days, request an exemption from the Form STD-21 submission requirement from the contracting agency.
- f. The Contractor shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that those provisions applicable to subcontractors will be binding upon each subcontractor.
- g. The Commonwealth may cancel or terminate the contract and all money due or to become due under the contract may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the agency may proceed with debarment or suspension and may place the Contractor in the Contractor Responsibility File.

IV. CONTRACTOR RESPONSIBILITY PROVISIONS (April 2013)

For the purpose of these provisions, the term contractor is defined as any person, including, but not limited to, a bidder, offeror, loan recipient, grantee or lessor, who has furnished or performed or seeks to furnish or perform, goods, supplies, services, leased space, construction or other activity, under a contract, grant, lease, purchase order or reimbursement agreement with the Commonwealth of Pennsylvania (Commonwealth). The term contractor includes a permittee, licensee, or any agency, political subdivision, instrumentality, public authority, or other public entity in the Commonwealth.

- a. The Contractor certifies, in writing, for itself and its subcontractors required to be disclosed or approved by the Commonwealth, that as of the date of its execution of this Bid/Contract, that neither the Contractor, nor any such subcontractors, are under suspension or debarment by the Commonwealth or any governmental entity, instrumentality, or authority and, if the Contractor cannot so certify, then it agrees to submit, along with its Bid/Contract, a written explanation of why such certification cannot be made.
- b. The Contractor also certifies, in writing, that as of the date of its execution of this Bid/Contract it has no tax liabilities or other Commonwealth obligations, or has filed a timely administrative or judicial appeal if such liabilities or obligations exist, or is subject to a duly approved deferred payment plan if such liabilities exist.
- c. The Contractor's obligations pursuant to these provisions are ongoing from and after the effective date of the Contract through the termination date thereof. Accordingly, the Contractor shall have an obligation to inform the Commonwealth if, at any time during the term of the Contract, it becomes delinquent in the payment of taxes, or other Commonwealth obligations, or if it or, to the best knowledge of the Contractor, any of its subcontractors are suspended or debarred by the Commonwealth, the federal government, or any other state or governmental entity. Such notification shall be made within 15 days of the date of suspension or debarment.
- d. The failure of the Contractor to notify the Commonwealth of its suspension or debarment by the Commonwealth, any other state, or the federal government shall constitute an event of default of the Contract with the Commonwealth.
- e. The Contractor agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of State Inspector General for investigations of the Contractor's compliance with the terms of this or any other agreement between the Contractor and the Commonwealth that results in the suspension or debarment of the Contractor. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. The Contractor shall not be responsible for investigative costs for investigations that do not result in the Contractor's suspension or debarment.
- f. The Contractor may obtain a current list of suspended and debarred Commonwealth contractors by either searching the Internet at <http://www.dgs.state.pa.us/> or contacting the:

Department of General Services
Office of Chief Counsel
603 North Office Building
Harrisburg , PA 17125
Telephone No.: (717) 783-6472
FAX No.: (717) 787-9138

V. ASSIGNMENT OF ANTITRUST CLAIMS (April 2013)

The Contractor and the Commonwealth recognize that in actual economic practice, overcharges by Contractor's suppliers resulting from violations of state or federal antitrust laws are in fact borne by the Commonwealth. As part of the consideration for the award of the Contract, and intending to be legally bound, Contractor assigns to the Commonwealth all right, title and interest in and to any claims the Contractor now has, or may acquire, under state or federal antitrust laws relating to the products or services which are the subject of this Contract.

VI. OFFSET PROVISION (April 2013)

The Contractor agrees that the Commonwealth may set off the amount of any state tax liability or other obligation of the Contractor or its subsidiaries to the Commonwealth against any payments due the Contractor under any contract with the Commonwealth.

VII. CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER

Execution of this Contract constitutes certification by the Contractor that:

- a. The number appearing on the Contract is the Contractor's correct taxpayer identification number (if no number is present, Contractor is waiting for a number to be issued) and,
- b. Contractor is not subject to backup withholding because: (i) Contractor is exempt from backup withholding, or (ii) Contractor has not been notified by the I.R.S. that it is subject to backup withholding as result of a failure to report all interest or dividends, or (iii) the I.R.S. has notified Contractor that it is no longer subject to backup withholding.

VIII. AMERICANS WITH DISABILITIES ACT (April 2013)

- a. Pursuant to federal regulations promulgated under the authority of The Americans With Disabilities Act, 28 C.F.R. Section 35.101 et seq., the Contractor understands and agrees that it shall not cause any individual with a disability to be excluded from participation in this Contract or from activities provided for under this Contract on the basis of the disability. As a condition of accepting this contract, the Contractor agrees to comply with the "General Prohibitions Against Discrimination", 28 C.F.R. §35.130, and all other regulations promulgated under Title II of The Americans With Disabilities Act which are applicable to all benefits, services, programs, and activities provided by the Commonwealth of Pennsylvania through contracts with outside contractors.
- b. The Contractor shall be responsible for and agrees to indemnify and hold harmless the Commonwealth of Pennsylvania from all losses, damages, expenses, claims, demands, suits and actions brought by any party against the Commonwealth of Pennsylvania as a result of the Contractor's failure to comply with the provisions of Subparagraph a. above.

IX. RECYCLED CONTENT PRODUCTS PROVISION

The Issuing Office has determined that the recycled content products provision is not applicable to this Contract for the type of service being provided by this Contractor. This determination was based on the fact that no material type products included on the Department of General Services "List of Products and Procurement Guidelines" are being requested under this Contract.

X. COMMONWEALTH HELD HARMLESS (April 2013)

- a. The Contractor shall hold the Commonwealth harmless from and indemnify the Commonwealth against any and all third party claims, demands and actions based upon or arising out of any activities performed by the Contractor and its employees and agents under this Contract, provided the Commonwealth gives Contractor prompt notice of any such claim of which it learns. Pursuant to the Commonwealth Attorneys Act (71 P.S. Section 732-101, *et seq.*), the Office of Attorney General (OAG) has the sole authority to represent the Commonwealth in actions brought against the Commonwealth. The OAG may, however, in its sole discretion and under such terms as it deems appropriate, delegate its right of defense. If OAG delegates the defense to the Contractor, the Commonwealth will cooperate with all reasonable requests of Contractor made in the defense of such suits.
- b. Notwithstanding the above, neither party shall enter into any settlement without the other party's written consent, which shall not be unreasonably withheld. The Commonwealth may, in its sole discretion, allow the Contractor to control the defense and any related settlement negotiations.