

## INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this “Agreement”) is entered into effective as of \_\_\_\_\_ (“Effective Date”), by and between the **State of Tennessee, Department of Treasury** (“State”) and the **City of Franklin, Tennessee** (“Political Subdivision”) for the provision of certain pension plan asset management services as specifically described in this Agreement. State and Political Subdivision may be referred to individually as a “Party” or collectively as the “Parties” to this Agreement.

**WHEREAS**, Political Subdivision and the Tennessee Consolidated Retirement System (“TCRS”) are currently parties to that certain Third Party Pension Plan Services Agreement effective December 13, 2016 and amended and restated effective January 1, 2019 (the “Services Agreement”), whereby TCRS shall co-invest certain of the assets of the Political Subdivision’s pension plan (the “Plan”) with the assets of TCRS and administer Political Subdivision’s pension plan in accordance with the terms of the Services Agreement; and

**WHEREAS**, certain of Political Subdivision’s pension plan assets do not conform with the TCRS Investment Policy, which assets are more particularly described on Exhibit A attached hereto and incorporated herein by reference (the “Assets”); and

**WHEREAS**, Political Subdivision and State desire that that State manage the Assets separately from TCRS, pursuant to Tennessee Code Annotated § 9-8-507 and in accordance with the terms of this Agreement, until such time as the Assets may be co-invested with the assets of TCRS.

**NOW, THEREFORE**, in consideration for the promises herein, the Parties agree as follows:

1. Investment Management. State shall invest the Assets in accordance with Political Subdivision’s Investment Policy adopted March 27, 2006 and most recently amended as of September 19, 2014 (the “Franklin Investment Policy”), the terms of this Agreement and applicable state and federal laws, rules and regulations. Political Subdivision hereby grants State discretionary authority to implement the management strategy described in Exhibit A of this Agreement (the “Strategy”). State has complete authority over the Assets without obtaining specific consent from Political Subdivision as long as such activity is consistent with the Strategy and Political Subdivision’s investment policy. Political Subdivision hereby delegates to State all of its powers with regard to the investment and reinvestment of the Assets and appoints State as Political Subdivision’s attorney and agent in fact with full authority to buy, sell, or otherwise effect investment transactions involving the Assets in Political Subdivision’s name and on Political Subdivision’s behalf. State shall be responsible only for the Assets actually received by it and shall not be responsible for those Assets that have not been delivered to State. With respect to the Assets, State shall have only those responsibilities set forth in this Agreement. Political Subdivision authorizes State to respond to inquiries from, and communicate and share information with Political Subdivision’s attorneys, accountants and other professionals to the extent necessary in furtherance of the services to be provided under this Agreement.
2. Term. This term of this Agreement shall begin on the Effective Date and expire when the Assets are co-invested with TCRS under the Services Agreement or when this Agreement is terminated, whichever occurs first.

3. Custodian. Political Subdivision authorizes State to utilize State's custodian bank (the "Custodian") to make capital calls and receive distributions with respect to the Assets.
4. Fees. Political Subdivision shall pay no separate fee for the services provided pursuant to this Agreement except for the fees provided under the Services Agreement and Section 10 of this Agreement.
5. Reporting. State shall provide periodic performance reports for the Assets to Political Subdivision. Upon the reasonable request of Political Subdivision, State investment personnel shall be available to make presentations regarding the investment performance of the Assets at Political Subdivision's relevant public meetings. In addition, State shall provide an annual financial report pertaining to the Assets to Political Subdivision within a reasonable period after the close of State's fiscal year. All valuations shall be performed by the Custodian and relied on by State.
6. Non-Exclusive Management. State, its employees, and agents may have, recommend or take the same or similar positions in specific investments for their own accounts, or for the accounts of other political subdivisions, as State recommends for the Assets. Political Subdivision expressly acknowledges and understands that State shall be free to render investment advice to others and that State does not make its investment management services available exclusively to the Political Subdivision. Nothing in this Agreement shall impose upon State any obligation to purchase or sell, or to recommend for purchase or sale, any security which the State, its employees or agents may purchase or sell for their own accounts or for the account of another political subdivision.
7. Risk Acknowledgement. State does not guarantee the future performance of the Assets or any specific level of performance or the success of any strategy or actions State may recommend or take relative to the Assets. Political Subdivision understands that investment recommendations and/or decisions for the Assets are subject to various markets, currency, economic, political and business risks, and that those investment recommendations and/or decisions will not be always profitable. Political Subdivision shall periodically evaluate whether continuing this Agreement is appropriate given Political Subdivision's circumstances.
8. Representations and Warranties. Political Subdivision represents and warrants that the Plan is a governmental pension plan under § 401(a) of the Internal Revenue Code and that Political Subdivision has the authority to contract with State for State to invest the Assets in accordance with the terms hereof. Political Subdivision acknowledges that State is entitled to rely on the financial information and other information provided by Political Subdivision with respect to the Assets and the Plan. Political Subdivision agrees to provide State with all material information concerning the Assets. Political Subdivision shall inform State promptly of any material change in Political Subdivision's circumstances which might affect the manner in which the Assets should be invested and to provide State with such information as it shall be reasonably requested. Political Subdivision represents and warrants that the Political Subdivision has such knowledge and experience in investment matters as to be able to determine the appropriateness

and suitability of the Strategy, including but not limited to the effect of the fee, on Political Subdivision's potential investment returns and the risks related to the Assets.

9. Information and Right to Rely. Within a reasonable time of request, Political Subdivision shall provide State with any and all information requested about Political Subdivision's current and future financial condition or any events, incidents or issues that may affect Political Subdivision's financial condition. State shall have the right to conclusively rely upon the accuracy and completeness of all data and other information supplied by or on behalf of Political Subdivision. State shall have no duty to verify or crosscheck any such information. State shall have the authority to assess and collect a fee from Political Subdivision should any such information prove to be inaccurate resulting in State devoting additional time to provide its services. State shall not incur any liability in acting upon any notice, document or list, request, signed letter, or other paper or document believed by State to be genuine or to be executed or sent by Political Subdivision.
10. Termination for Convenience. Either Party may terminate this Agreement for any reason by giving written notice to the other, at least sixty (60) calendar days before the effective date of termination. The termination notice shall specify the date on which the Agreement shall terminate.
11. Termination for Cause. If a Party ("Breaching Party") fails to properly perform its obligations under this Agreement or if a Party materially violates any terms of this Agreement, the other Party ("Non-breaching Party") shall have the right to terminate the Agreement by providing prior written notice to the Breaching Party. The termination notice may specify either that the termination is to be effective immediately or on a date certain in the future. The Breaching Party shall not be relieved of liability to the Non-breaching Party for damages sustained by virtue of any breach of this Agreement, and the Non-breaching Party may seek other remedies allowed at law or in equity for breach of this Agreement.
12. Limitation of Liability. Except as otherwise provided by federal or state securities laws, neither State, nor any of its officers, agents, employees or boards shall incur liability of any nature in connection with any action, omission, investment recommendation/decision, or loss in connection with this Agreement including, but not limited to, the investment of the Assets, or the acts and/or omissions of other professionals or third party service providers recommended to Political Subdivision by State, including a broker-dealer and/or custodian. If the Assets comprise only a portion of Political Subdivision's total assets, State shall be responsible for those assets that Political Subdivision has designated to be the subject of State's investment management services under this Agreement without consideration to those additional assets not so designated by Political Subdivision.
13. Legal Action. If State, or any of its officers, agents, employees or boards are made a party to any legal action regarding the Plan or the Assets, any and all costs and expenses, including reasonable attorneys' fees, incurred in connection with such a proceeding shall be paid from the Plan or charged to Political Subdivision, as shall be determined at the sole discretion of State. In the event of any such action, Political Subdivision shall provide all necessary assistance to State in

responding to the action. This section shall not grant Political Subdivision, through its attorneys, the right to represent State in any legal matter.

14. Modification and Agreement. This Agreement may be modified only by a written amendment signed by the Parties hereto. This Agreement constitutes the entire agreement between the parties with regard to the matters described herein, superseding all prior oral and written communications, proposals, negotiations, representations, understandings, courses of dealings, agreements, contracts and the like between the Parties.
15. Non-Assignability. No assignment of this Agreement shall be made by the Parties without express written consent between the Parties.
16. Strict Performance. Failure by any Party to this Agreement to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Agreement shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Agreement shall be held to be waived, modified, or deleted except by a written amendment signed by the Parties hereto.
17. Independent Contractor. The Parties hereto, in the performance of this Agreement, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the Parties hereto that such Parties are independent contracting entities and that nothing in this Agreement shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one Party shall not be deemed or construed to be the employees or agents of the other Party for any purpose whatsoever.
18. Force Majeure. The obligations of the Parties to this Agreement are subject to prevention by causes beyond the Parties' control that could not be avoided by the exercise of due care including, but not limited to, natural disasters, riots, wars, epidemics, or any other similar cause.
19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee. Political Subdivision agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Agreement. Political Subdivision acknowledges and agrees that any rights or claims against the State or any of its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under Tennessee Code Annotated, Sections 9-8-101 through 9-8-407.
20. Compliance with Legal Requirements. Political Subdivision agrees to execute any amendments to this Agreement, which in State's sole discretion, is necessary or advisable to reflect changes in the Internal Revenue Code and regulations thereunder, Tennessee law, revenue rulings published by the Internal Revenue Service, including model, sample, or other required good faith amendments. Political Subdivision agrees to provide State with authorization to transmit information to

regulatory entities and any other organizations and associations to comply with any legal requirements as well as industry best practices.

- 21. Authorizations and Notices. Political Subdivision agrees to execute and transmit any authorizations and notices required indicating the State’s authority to transact and receive and submit information on the Political Subdivision’s behalf. Political Subdivision agrees to execute and transmit authorizations and notices to its other advisors, including, but not limited to accountants, consultants and attorneys (“Advisors”), indicating State’s authority to obtain information from these sources.
- 22. Valuation. Valuations of the Assets will be performed by the Custodian. A valuation shall not be deemed a guarantee with respect to the value of the Assets.
- 23. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Agreement shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by email with recipient confirmation. All communications, regardless of method of transmission, shall be addressed to the respective Party at the appropriate mailing address, or email address as stated below or any other address provided in writing by a Party.

State:

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Political Subdivision:

City Administrator

City of Franklin

109 Third Avenue South

Franklin, Tennessee 37064

**IN WITNESS WHEREOF**, the Parties have duly executed this Agreement as of the dates set forth below.

CITY OF FRANKLIN

STATE OF TENNESSEE, DEPARTMENT  
OF TREASURY

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Dr. Ken Moore

Name: David H. Lillard, Jr.

Title: Mayor

Title: State Treasurer

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved as to Form:

\_\_\_\_\_  
Shauna R. Billingsley, City Attorney

## EXHIBIT A

### Overview

The Plan has commitments to the following five alternative assets (the “Assets”) which include two private equity funds and three timber investments:

- BTG (RMK) Pactual Select Timberland Investment Fund II, LLC
- Landmark Equity Partners XIV, L.P.
- RMS Growth III, L.P.
- Hamilton Lane Secondary Fund III, L.P.
- FIA Timber Growth and Value Partners, L.P.

These five Assets have roughly a \$6.2 million net asset value according to reports provided to the Department of Treasury from Dahab, the current investment consultant for the Plan. An analysis of these investments indicates that they are largely past their funding requirements and are in their distribution, or “harvest,” phase. Treasury Investment Staff (“Staff”) proposes to manage those funds as they work through their life cycle, eventually investing the proceeds with TCRS assets by using the proceeds to purchase Treasury Group Retirement Trust (TGRT) units.

### Strategy

#### **Standards & Objectives**

In order to monitor the progress of each Asset, Staff will perform the following, with a particular focus on any material changes:

- Stay apprised of material organizational changes;
- Monitor performance of the fund and the underlying assets;
- Determine whether there are any issues or problems to address; and
- Respond to organization needs such as LPA amendments, etc.

Staff anticipates receiving quarterly materials from the managers of the Assets and will monitor updated progress at least annually for each manager.

#### **Activities**

Staff will obtain and review information on each Asset through a variety of channels, which may include the below, as applicable:

- Monitoring and facilitating any cash flow activity between the General Partner and the City of Franklin account;
- Tracking of the investments’ progress through internal reporting and performance software;
- Reviewing quarterly and/or annual reports;
- Reviewing additional or ad hoc reports and communications;
- Interacting with the General Partner as necessary;
- Generally monitoring industry news sources; and
- Following internal Treasury policies relating to alternative assets.

#### **Secondary Sale**

Staff does not view secondary sales of the Plan’s interest in the Assets suitable at this time. However, during the ongoing monitoring of these Assets, Staff, in consultation with the City, may execute a secondary sale if such sale is determined by Staff to be in the best interest of Plan beneficiaries.