

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
February 11, 2014**

The Investment Committee ("Investment Committee") of the Tennessee Consolidated Retirement System ("TCRS") Board of Trustees met at 9:00 a.m. on February 11, 2014 in the Executive Conference Room on the Ground Floor of the State Capitol. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:04 a.m. Investment Committee members in attendance included: The Honorable David H. Lillard, Jr., State Treasurer; The Honorable Tre Hargett, Secretary of State; Mr. Bob Wormsley, Local Government Insurance Pool; and Mr. Bill Kemp, Sumner County Clerk. Mr. Rick Newton, representing the Department of Finance and Administration, attended in the absence of Commissioner Larry Martin. Additional attendees included Mr. Keith Boring, Director of Policy & Research; Mr. Bill Abney, Assistant to the Treasurer for Investments; Mr. Andrew Palmer, Deputy Chief Investment Officer; Mr. Derrick Dagnan, Strategic Lending Portfolio Manager, Mr. Matthew Haitas, Interim Director of Real Estate; and Mr. Arthur Henderson, Senior Portfolio Manager.

Treasurer Lillard moved to the first agenda item, asking Mr. Matthew Haitas to introduce a proposed investment of up to \$50 million by TCRS in Savanna Real Estate Fund III, L.P. ("Savanna" or the "Fund"). Mr. Haitas began his discussion by noting that TCRS has been seeking attractive real estate opportunities in gateway markets such as New York City, Boston, San Francisco, Chicago and Los Angeles, areas where TCRS has been historically underweight. Mr. Haitas noted that Savanna represents one such opportunity for the New York City market. The Fund is the fourth in a series of value-added office closed-end commingled funds managed by Savanna Investment Management LLC, a New York City-based registered investment advisor and real estate investment and development firm that has extensive experience and has been in operation since 1992. The Savanna Fund plans to make acquisitions of transitional office assets that require recapitalization or physical improvement, primarily in New York City. Mr. Haitas provided additional background on the Fund including details about expected fees, hurdle rates, and returns. He further noted that TCRS will get a seat on the Fund's Board of Advisors, giving it an active voice on Fund investments. Based on recommendations from The Townsend Group, TCRS's real estate investment consultant, and the due diligence completed by the TCRS staff, Mr. Haitas recommended that the Investment Committee approve an investment of up to \$50 million in Savanna Real Estate Fund III, L.P. With no further questions, Treasurer Lillard asked for a motion to approve. Mr. Hargett made the motion to approve, which was seconded by Mr. Wormsley and unanimously approved.

Mr. Haitas next presented a proposed \$100 million investment by TCRS in Summer Street Portfolio ("Summer Street"). Summer Street comprises two Class B+ office buildings located in the heart of one of Boston's strongest submarkets, the Seaport District, which is an area that is benefitting from spillover demand from other higher priced and tighter submarkets like Cambridge. In addition, the investment in Summer Street also includes a 48-month purchase option to acquire an office property in Marlborough. Mr. Haitas discussed the attractiveness of the returns and pricing on this transaction and the flexibility associated with the purchase option. Based on recommendations from Deutsche Asset &

Wealth Management, TCRS's investment consultant, and TCRS staff, Mr. Haitas recommended that the Investment Committee approve the \$100 million purchase of the Savanna Real Estate Fund III, L.P. Treasurer Lillard noted that the Seaport district is an exciting area of growth in Boston and that the returns on the transaction, even without exercising the purchase agreement, were compelling. Treasurer Lillard asked if there were further questions. There were none, and he then asked for a motion to approve. Mr. Hargett made the motion to approve, which was seconded by Mr. Wormsley and unanimously approved.

Treasurer Lillard proceeded to the next agenda item and introduced Mr. Derrick Dagnan. Mr. Dagnan presented a proposed investment of up to \$100 million by TCRS in HayFin Direct Lending Fund L.P. (the "Fund"), which is a co-mingled fund focused on direct lending to middle market companies in the European Union (EU). The Fund is managed by Haymarket Financial Holdings ("HayFin"), which was founded in London in 2009 by the private equity fund TowerBrook Capital Partners, L.P. and senior management, and currently manages €4 billion. The HayFin team is the largest in Europe focused on this type of investing and includes 43 investment professionals reflecting 15 different nationalities. HayFin has an established investment process and track record, and as Mr. Palmer noted, has substantial private equity backing with good alignment of interests. Mr. Dagnan commented that the current investment opportunities in the EU and the associated returns are both significant and attractive. Strategic Investment Solutions, Inc., TCRS's Strategic Lending investment consultant prepared a recommendation of the proposed investment. Treasurer Lillard commented that HayFin's sourcing abilities and expertise are notable. Treasurer Lillard made a motion to approve the investment in HayFin Direct Lending Fund, LP. The motion was seconded by Mr. Hargett and then unanimously approved.

Treasurer Lillard concluded by announcing that TCRS had just hired a new Director of Real Estate. He personally thanked Mr. Haitas for all of his hard work over the last few months as TCRS has engaged in the search for this new real estate director.

Treasurer Lillard indicated that unless there was an objection, the meeting of the Investment Committee would adjourn. There were no objections, and the meeting adjourned.

Respectfully submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



David H. Lillard, Jr., Chairman
TCRS Board of Trustees