

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees  
November 15, 2012**

The Investment Committee of the TCRS Board of Trustees ("Investment Committee") met at 8:00 a.m. on November 15, 2012 in the Bedford Room of the William R. Snodgrass Tennessee Tower. A quorum of the Investment committee participated in the meeting which included The Honorable David H. Lillard, Jr., State Treasurer, The Honorable Mark Emkes, Commissioner of the Department Finance and Administration, and Mr. David Seivers. The Honorable Tre Hargett, Secretary of State, and Mr. David Seivers participated in the meeting by telephone. Also in attendance were Ms. Janice Cunningham, Chief of Staff of the Treasurer, Mr. Bill Abney, Mr. Rick Newton, Mr. Andy Palmer, Deputy Chief Investment Officer, Mr. Peter Katseff, Director of Real Estate, Mr. Ken McDowell, Senior Real Estate Portfolio Manager, and Mr. Matthew Haitas, Real Estate Analyst.

Peter Katseff was asked to introduce the proposed real estate investments by TCRS in a student housing community at the University of South Florida in Tampa, Florida. The transaction had been proposed by RREEF, a Real Estate Investment Advisor engaged by TCRS.

The proposed acquisition is a Class A student housing community located one block north of the University of South Florida campus in Tampa, Florida. The University of South Florida is part of the State University System of Florida and one of the largest public universities in the United States with more than 47,000 students. The community consists of 206 units and 734 beds.

Mr. Katseff noted that the proposed acquisitions shared similar characteristics to the student housing community at the University of Arizona that was previously approved by the Investment Committee but was not acquired by TCRS. Mr. Katseff stated that in addition to sharing similar characteristics, this acquisition had qualities that made it a potentially better investment than the University of Arizona property including a lower per unit purchase price, a location with closer proximity to campus and a smaller existing development pipeline to provide new competition.

David Seivers asked if there was a risk of the University building on-campus dorms to compete with this property. Mr. Katseff noted that this is always a key question and concern when contemplating investments in student housing. He stated that it was unlikely that the University would be building new dorms in the near future, since it lacks available sites on campus.

Commissioner Emkes made a motion to approve the investment by TCRS. The motion was seconded by David Seivers and unanimously approved.

Ken McDowell was asked to introduce the proposed real estate investment by TCRS in the Covenant Apartment Fund VII. Mr. McDowell noted that Covenant Capital was established in 2001. Since its founding, Covenant has been employing the same value-

add investment strategy for all six of its previous funds. Covenant Apartment Fund VII will have the same strategy of acquiring garden apartments located in the Southeast and Mid-Atlantic regions of the United States. The typical acquisition is an older property, selling at a deep discount to replacement cost, that offers the ability to increase its income through an upgrade program.

David Seivers asked how long the fund intends to hold the properties. Mr. McDowell noted that the term of the fund is eight years with two one-year extensions with the approval of the majority of LP investors. He noted that it is rare to see the life of the fund extended and it is typically because it will benefit investors. Peter Katseff mentioned that for a fund of this type, a holding period of a specific investment tends to be five years or less.

Treasurer Lillard stated that an additional disclosure needed to be made to the Investment Committee. Bill Abney then distributed a memo noting that (i) several partners of the Covenant firm had disclosed in TCRS's manager questionnaire that they made political contributions in 2010 to Tennessee's Governor and two State legislators; (ii) that the SEC's "pay to play" rules prohibit advisors from providing services for compensation to a government client for two years after the advisor or principals make political contributions; and (iii) Covenant has taken the position that these contributions were not subject to the SEC "pay to play" rules, since Covenant Capital is not required to be registered as an investment advisor with the SEC, as it provides advice to the Fund related to direct investments in real estate. Staff acquiesced in this position.

David Seivers made a motion to approve the investment by TCRS. The motion was seconded by Commissioner Emkes and unanimously approved.

The members of the Investment Committee had no additional questions and the meeting of the Investment Committee was adjourned.

Respectfully Submitted,



Michael Brakebill  
Chief Investment Officer

APPROVED:



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