

STATE OF TENNESSEE



DAVID H. LILLARD, JR.
STATE TREASURER

TREASURY DEPARTMENT

615.741.2956
David.Lillard@tn.gov

STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

Sender's telephone: 615.253.3855
Sender's email: mary.roberts-krause@tn.gov

July 3, 2019

Fiscal Review Committee
The Honorable Ron Travis, Chair
The Honorable Todd Gardenhire, Vice-Chair
G-102 Cordell Hull Building
425 5th Avenue North
Nashville, Tennessee 37243

To the Distinguished Members of the Fiscal Review Committee,

The Department of Treasury respectfully requests to amend its contract with Verus Advisory, Inc. (the "Contractor"). Under the contract, the Contractor provides general investment consulting services to the Department in connection with funds over which the Tennessee State Treasurer is responsible for managing or investing. Specifically, the Contractor provides investment advisory services as well as quarterly performance reporting in order for the Department to make sound and prudent investment decisions and to monitor the performance of the selected investments to ensure they are achieving the desired goals. The contract was procured through a competitive request for proposal (RFP) process and expires on November 30, 2020.

Since that time, legislation was enacted requiring the establishment of an investment trust or trusts for the purpose of pre-funding other post-employment benefits accrued by employees of the State. Once established, the law requires the State Treasurer to be responsible for investing and reinvesting the trust funds. In addition, legislation was recently enacted that amended the laws governing deferred compensation and tax-sheltered compensation plans maintained by public institutions of higher education on behalf of their employees pursuant to § 403(b) of the Internal Revenue Code. As amended, the State Treasurer is authorized to assume responsibility for administration and operation of those 403(b) plans, which includes offering investment product options to the employee-participants of the plans and otherwise assuming the fiduciary duties for the plans.

In order for the State Treasurer and the Department to fulfil the fiduciary duties owed to the 403(b) plan participants and trust beneficiaries, the Department needs the same investment advisory services and quarterly performance reporting being provided by the Contractor.

Consequently, we are requesting the contract be amended to include those services. It is our belief the provision of these services by the Contractor is a logical extension of the original procurement and resulting contract.

Thank you for your consideration of this request. If you need additional information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Roberts-Krause". The signature is written in a cursive style with a large initial "M".

Mary Roberts-Krause
Senior Treasury Counsel

cy19-13635

Amendment Request

This request form is not required for amendments to grant contracts. Route a completed request, as one file in PDF format, via e-mail attachment sent to: Agsprs.Agsprs@tn.gov

APPROVED

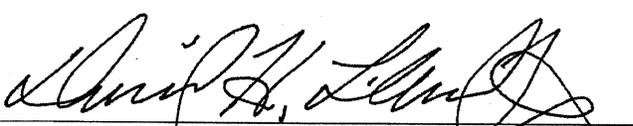
**Kevin C. Bartels
for Michael F.
Perry**

Digitally signed by Kevin C. Bartels for
Michael F. Perry
DN: cn=Kevin C. Bartels for Michael F.
Perry, o=CPO, ou,
email=Kevin.C.Bartels@tn.gov, c=US
Date: 2019.06.10 08:07:11 -05'00'

CHIEF PROCUREMENT OFFICER

DATE

Agency request tracking #	30901-28316	
1. Procuring Agency	Tennessee Treasury Department	
2. Contractor	Verus Advisory, Inc.	
3. Edison contract ID #	48445	
4. Proposed amendment #	02	
5. Contract's Original Effective Date	December 1, 2015	
6. Current end date	November 30, 2020	
7. Proposed end date	November 30, 2020	
8. Current Maximum Liability or Estimated Liability	\$2,552,500	
9. Proposed Maximum Liability or Estimated Liability	\$2,552,500	
10. Strategic Technology Solutions Pre-Approval Endorsement Request – information technology service (N/A to THDA)	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
11. eHealth Pre-Approval Endorsement Request – health-related professional, pharmaceutical, laboratory, or imaging	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
12. Human Resources Pre-Approval Endorsement Request – state employee training service	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
13. Explain why the proposed amendment is needed	<p>On December 1, 2015, the Tennessee Treasury Department entered into a contract with Verus Advisory, Inc. (the Contractor) for the Contractor to provide general investment consulting services to the Department in connection with funds over which the Tennessee State Treasurer was responsible for managing or investing. Specifically, the Contractor provides investment advisory services as well as quarterly performance reporting in order for the Department to make sound and prudent investment decisions and to monitor the performance of the selected investments to ensure they are achieving the</p>	

Agency request tracking #	30901-28316
<p>desired goals. The contract was procured through a competitive request for proposal (RFP) process and expires on November 30, 2020.</p>	
<p>Since that time, legislation was enacted requiring the establishment of an investment trust or trusts for the purpose of pre-funding other post-employment benefits accrued by employees of the State. Once established, the law requires the State Treasurer to be responsible for investing and reinvesting the trust funds. In addition, legislation was recently enacted that amended the laws governing deferred compensation and tax-sheltered compensation plans maintained by public institutions of higher education on behalf of their employees pursuant to § 403(b) of the Internal Revenue Code. As amended, the State Treasurer is authorized to assume responsibility for administration and operation of those 403(b) plans, which includes offering investment product options to the employee-participants of the plans and otherwise assuming the fiduciary duties for the plans.</p>	
<p>In order for the State Treasurer and the Department to fulfil the fiduciary duties owed to the 403(b) plan participants and trust beneficiaries, the Department needs the same investment advisory services and quarterly performance reporting being provided by the Contractor. The provision of these services by the Contractor is a logical extension of the original procurement and resulting contract, and does not amend the contract in a substantive manner. The intended purpose of the procurement was to obtain investment consulting services in connection with all program funds over which the Tennessee State Treasurer is responsible for managing or investing. The provision of the services for the 403(b) plans and trusts would have been included in the original procurement had the need for the services been anticipated.</p>	
<p>14. If the amendment involves a change in Scope, describe efforts to identify reasonable, competitive, procurement alternatives to amending the contract.</p>	
<p>No other logical procurement alternatives are available. The services sought are a logical extension of the original procurement and resulting contract, and the amendment would not amend the contract in any substantive manner. The current contract resulted from a competitive RFP process, which was intended to procure investment advisory services and quarterly performance reporting for all funds over which the State Treasurer is responsible for managing and/or investing. The provision of the services for the 403(b) plans and trusts would have been included in the original procurement had the enactment of the legislation been anticipated.</p>	
<p>Signature of Agency head or authorized designee, title of signatory, and date (the authorized designee may sign his or her own name if indicated on the Signature Certification and Authorization document)</p>	
	
<p>DAVID H. LILLARD, JR., STATE TREASURER</p>	<p>DATE <u>June 4 2019</u></p>

Approved for signature by acg/3/1/19

Supplemental Documentation Required for
Fiscal Review Committee

*Contact Name:	Mary Roberts-Krause	*Contact Phone:	(615) 253-3855		
*Presenter's name(s):	Derrick Dagnan and Hunter Bethea				
Edison Contract Number: <i>(if applicable)</i>	48445	RFS Number: <i>(if applicable)</i>	30901-28316		
*Original or Proposed Contract Begin Date:	December 1, 2015	*Current or Proposed End Date:	November 30, 2020		
Current Request Amendment Number: <i>(if applicable)</i>	02				
Proposed Amendment Effective Date: <i>(if applicable)</i>	September 6, 2019				
*Department Submitting:	Department of Treasury				
*Division:	Investments				
*Date Submitted:	July 3, 2019				
*Submitted Within Sixty (60) days:	Yes				
<i>If not, explain:</i>	N/A				
*Contract Vendor Name:	Verus Advisory, Inc.				
*Current or Proposed Maximum Liability:	\$2,552,500				
*Estimated Total Spend for Commodities:	N/A				
*Current or Proposed Contract Allocation by Fiscal Year: <i>(as Shown on Most Current Fully Executed Contract Summary Sheet)</i>					
FY: 2016	FY: 2017	FY: 2018	FY: 2019	FY: 2020	FY: 2021
\$255,250	\$510,500	\$510,500	\$510,500	\$510,500	\$255,250
*Current Total Expenditures by Fiscal Year of Contract: <i>(attach backup documentation from Edison)</i>					
FY: 2016	FY: 2017	FY: 2018	FY: 2019	FY: 2020	FY: 2021
\$34,000	\$550,000	\$361,980	\$470,593.54		
<p>IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:</p>			<p>Pursuant to the contract, the Contractor provides quarterly performance reporting for funds over which the State Treasurer is responsible for managing and/or investing. In addition and at the State's request, the Contractor provides investment advisory services for the Treasury Department when the needs arises. These services may involve conducting in-depth research and analysis on investment issues including industry trends and developments, accounting, regulatory and legal changes relative to investments. The services may also include technical advice in connection with miscellaneous questions that may arise from time to time</p>		

Supplemental Documentation Required for
Fiscal Review Committee

	<p>relative to pensions, endowments, and investments. Further and at the Department's request, the Contractor provides analysis of and assists the Department in competitively acquiring any additional external international investment managers needed by the Department to prudently and effectively manage its international stock portfolios.</p> <p>Consequently, the exact amount of compensation payable to the Contractor in any given fiscal year is dependent on whether there are any new developments in the investment industry for which it would be prudent to obtain the Contractor's investment advice and research. The exact amount of compensation in a given fiscal year is also dependent on whether the State will be re-procuring its external international investment managers that year, or whether the State will be procuring additional external international investment managers that year.</p> <p>The total contract allocation has not been greater than contract expenditures. However, the individualized expenditures for fiscal years 2016, 2018 and 2019 were less than the individualized estimated allocation for fiscal years 2016, 2018 and 2019 since the Treasury Department had fewer investment related advisory service needs than it expected during those fiscal years. The allocated, but unspent, amount was carried forward to subsequent fiscal years within the contract term to cover the compensation due to the Contractor for performing investment related advisory services that might arise during those subsequent fiscal years.</p>
<p>IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:</p>	<p>The allocated, but unspent, amount was carried forward to subsequent fiscal years within the contract term to cover the compensation due to the Contractor for performing investment related advisory services that might arise during those fiscal years. The Treasury Department has the authority to carry forward unspent funds on contracts whose compensation depends on the number of transactions or occurrences that occur during the contract term.</p>

Supplemental Documentation Required for
Fiscal Review Committee

<p>IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:</p>	<p>The total contract expenditures has not exceeded the total contract allocation. However, the individualized expenditure for fiscal year 2017 was more than the individualized estimated allocation for fiscal year 2017 since the Treasury Department engaged in a competitive external international investment manager search and believed it prudent and efficient to obtain the assistance and advice of its general investment consultant, i.e., the Contractor. The compensation for those services was paid from the allocated, but unspent, amount that was carried forward from the preceding fiscal years.</p>		
<p>*Contract Funding Source/Amount:</p>			
State:	N/A	Federal:	N/A
<i>Interdepartmental:</i>	N/A	<i>Other:</i>	\$2,552,500
<p>If “<i>other</i>” please define:</p>		<p>Current Services Revenue</p>	
<p>If “<i>interdepartmental</i>” please define:</p>		<p>N/A</p>	
<p>Dates of All Previous Amendments or Revisions: <i>(if applicable)</i></p>		<p>Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i></p>	
<p>June 1, 2016</p>		<p>Contractor Name Change</p>	
<p>Method of Original Award: <i>(if applicable)</i></p>		<p>Request for Proposals (RFP)</p>	
<p>*What were the projected costs of the service for the entire term of the contract prior to contract award? How was this cost determined?</p>		<p>\$2,440,053.26. The anticipated cost was based on the cost proposals received when the services were competitively bid during the prior request for proposal process, which occurred in 2010.</p>	
<p>*List number of other potential vendors who could provide this good or service; efforts to identify other competitive procurement alternatives; and the reason(s) a sole-source contract is in the best interest of the State.</p>		<p>The list of other potential vendors that might be able to provide the services are: (1) Aon Hewitt Consulting, Inc., (2) Callan Associates Inc., (3) Meketa Investment Group, Inc., (4) NEPC, LLC, and (5) Wilshire Associates Incorporated.</p> <p>However, the Treasury Department believes that no other logical</p>	

Supplemental Documentation Required for
Fiscal Review Committee

	<p>competitive procurement alternative exists. The services sought are a logical extension of the original procurement and resulting current contract, and the amendment would not amend the contract in any substantive manner. The current contract resulted from a competitive RFP process, which was intended to procure investment advisory services and quarterly performance reporting for all funds over which the State Treasurer is responsible for managing and/or investing. The provision of the services at issue would have been included in the original procurement had the Department anticipated assuming responsibility for the operation of the 403(b) retirement plans of the University of Tennessee and Board of Regents, and for the investing and reinvesting responsibilities of the assets of the Other Post-Employment Benefits (OPEB) Trusts.</p>
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Paym	Unit	Sum Merchandise Amt	Edison Contract ID	Vendor ID	Vendor Name	Type	POID	Voucher ID	Invoice	Date	Fiscal Year
2	30901	4000.000	000000000000000000000004844	0000070965	Strategic Investment Solutions Inc	DFA	0000006448	00061288	9338	5/11/2016	2016
	30901	30000.000	000000000000000000000004844	0000070965	Strategic Investment Solutions Inc	DFA	0000006499	00061471	9348_2	5/17/2016	2016

Paym Unit	Sum Merchandise Amt	Edison Contract ID	Vendor ID	Vendor Name	Type	PO ID	Voucher ID	Invoice	Date	Fiscal Year
30901	90000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000006715	00062135	INV014990	7/19/2016	2017
30901	90000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000006900	00063395	INV015857	10/6/2016	2017
30901	90000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000007419	00066630	INV018228	4/28/2017	2017
30901	100000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000007118	00065044	PR0000112	2/3/2017	2017
30901	180000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000007119	00065043	INV017300	2/3/2017	2017

Paym	Unit	Sum	Merchandise Amt	Edison Contract ID	Vendor ID	Vendor Name	Type	PO ID	Voucher ID	Invoice	Date	Fiscal Year
	30901	90000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000007728	00068687	INV018921	7/28/2017	2018	
	30901	90000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000007997	00070702	INV019726	11/1/2017	2018	
	30901	90000.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000008259	00073522	INV020515	1/26/2018	2018	
	30901	91980.000	NV000000000000000000000004844	0000197487	Venus Advisory Inc	DFA	0000008657	00077458	INV021357	5/23/2018	2018	

Paym	Unit	Sum Merchandise Amt	Edison Contract ID	Vendor ID	Vendor Name	Type	PO ID	Voucher ID	Invoice	Date	Fiscal Year
30901		668,390	NV000000000000000004844	0000197487	Venus	DFA	000009463	00086802	INV023640	2/14/2019	2019
30901		91980,000	NV000000000000000004844	0000197487	Venus	DFA	000009174	00084142	INV022826	11/7/2018	2019
30901		91980,000	NV000000000000000004844	0000197487	Venus	DFA	000009373	00086144	INV023489	1/25/2019	2019
30901		91980,000	NV000000000000000004844	0000197487	Venus Advisory Inc	DFA	000008910	00079406	INV022041	8/1/2018	2019
30901		93985,150	NV000000000000000004844	0000197487	Venus	DFA	000009647	00088324	INV024293	4/26/2019	2019
30901		100000,000	NV000000000000000004844	0000197487	Venus Advisory/Inc	DFA	000008974	00080273	PR000148	8/17/2018	2019



CONTRACT

(fee-for-goods or services contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date December 1, 2015	End Date November 30, 2020	Agency Tracking # 30901-28316	Edison Record ID 48445
Contractor Legal Entity Name Strategic Investment Solutions, Inc.			Edison Vendor ID 70965

Goods or Services Caption (one line only)
 Consulting Services relative to Programs attached to the Department of Treasury, which include the following: Tennessee Consolidated Retirement System, Chairs of Excellence Endowment Trust, Baccalaureate Education System Trust, State Pooled Investment Fund, and the Optional Retirement Program.

Subrecipient or Contractor <input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Contractor	CFDA #
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Funding —					
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2016				\$255,250	\$255,250
2017				\$510,500	\$510,500
2018				\$510,500	\$510,500
2019				\$510,500	\$510,500
2020				\$510,500	\$510,500
2021				\$255,250	\$255,250
TOTAL:				\$2,552,500.00	\$2,552,500.00

Contractor Ownership Characteristics:

Minority Business Enterprise (MBE): African American, Asian American, Hispanic American, Native American

Woman Business Enterprise (WBE)

Tennessee Service Disabled Veteran Enterprise (SDVBE)

Tennessee Small Business Enterprise (SBE): \$10,000,000.00 averaged over a three (3) year period or employs no more than ninety-nine (99) employees.

Other:

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

Competitive Selection This contract resulted from a competitive process through Request for Proposals number 30901-28316.

Other

Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.

Kerry Hartley

Speed Chart (optional)	Account Code (optional)
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**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
TREASURY DEPARTMENT
AND
STRATEGIC INVESTMENT SOLUTIONS, INC.**

This Contract, by and between the State of Tennessee, Treasury Department ("State") and Strategic Investment Solutions, Inc. ("Contractor"), is for the provision of General Investment Consulting Services, as further defined in the "SCOPE." State and Contractor may be referred to individually as a "Party" or collectively as the "Parties" to this Contract.

The Contractor is a for-Profit Corporation.
Contractor Place of Incorporation or Organization: California
Contractor Edison Registration ID # 70965

A. SCOPE:

- A.1. The Contractor shall provide all goods or services and deliverables as required, described, and detailed below and shall meet all service and delivery timelines as specified by this Contract.
- A.2. In General. The Contractor shall perform investment consulting services requested by the State in connection with the Tennessee Consolidated Retirement System (the "Retirement System"), the Chairs of Excellence Program (COE), the Tennessee Baccalaureate Education System Trust (BEST), the State Pooled Investment Fund (SPIF), and the Optional Retirement Program (ORP), hereinafter collectively referred to as "the Programs", and shall be, in general, an advisor to the State in the investment operations of the Programs.
- A.3. Due Diligence Review. The Contractor shall commence, immediately upon the effective date of this Contract, a due diligence review of the investment operations of the Programs, excluding the SPIF. Such review shall include the investment policies, guidelines and procedures of the respective Programs, the organizational structure of the Programs' investment divisions and such other matters as shall be agreed to by the parties. Upon completion of the evaluation, the Contractor shall provide a written due diligence report to the State containing its conclusions and any recommendations as a result of such review. The report shall be provided to the State by no later than June 30, 2016.
- A.4. Performance Measurement and Portfolio Analytics. The Contractor shall provide monthly and quarterly performance measurement reports on the investment performance of the Programs, except for the SPIF, in the manner and within the time frames described in the Contractor's Proposal. The reports shall identify whether the Programs' investment portfolios are within the authorized asset ranges, whether performance is consistent with the investment objectives and policies of the Programs, and whether the investment managers are performing consistently within applicable standards. The reports shall also include the following analysis and shall contain such other information as is agreed upon by both parties from time to time:
- (i) Measurement of rates of return earned on the various segments of the Programs' portfolios in accordance with the methodology recommended by the CFAI; and
 - (ii) Comparison of the respective Program's investment performance against other tax-free funds. The Contractor shall further provide a separate comparison of each Program against public management funds and a separate comparison against funds having the same investment characteristics as the Program being evaluated.
- A.5. Consulting, Education and Research Services.
- a. General Consulting, Education and Research Services. At the State's request, the Contractor shall conduct in-depth research, and analysis on pension, endowment, and investment issues requested by the State as it relates to the Programs. Said research shall include current industry trends and developments, accounting, regulatory and legal

changes relative to pensions, endowments, and investments. In particular, the Contractor shall provide technical advice as requested by the State, either orally or in written form, in connection with miscellaneous problems and questions that may arise from time to time relative to pensions, endowments, and investments. The Contractor shall also provide continuing education on pensions, endowments, and investments to the State which shall be accomplished through biannual educational conferences, research projects and surveys, access to the Contractor's research and white papers and such other means as is agreed upon by both parties from time to time. The Contractor shall also assist the State in drafting policies, procedures, and guidelines relative to the Programs at the request of the State.

- b. Comprehensive Consulting, Education and Research Services or Other Significant Projects and Services. For consulting, education and research services described in Section A.5.a above that require more than four (4) hours of the Contractor's time, the Contractor shall provide the State with a written statement of the cost involved in performing such services. The Contractor shall provide such statement within five (5) days of the State's request therefore specifying the project services requested by the State, the maximum number of hours required and the maximum cost for completing the project. The maximum cost to the State for the project shall be determined by multiplying the maximum number of hours required by the hourly rate detailed for such projects in Contract Section C.3, below.

If approved by the State, the statement provided by the Contractor shall constitute a Memorandum of Understanding (MOU) which shall be signed by the State's Chief Investment Officer. The Contractor shall not perform any service related to a project until the State's Chief Investment Officer has signed and returned the MOU to the Contractor. Each signed MOU shall be incorporated as a part of this contract.

Subsequent to the State Chief Investment Officer's approval of the MOU, the Contractor shall provide and invoice the State for the project on an hourly basis. After the project has been completed, the Contractor shall invoice the State in accordance with the payment provisions of this Contract detailed in Section C.3 below. For each project, the State shall be liable to the Contractor only for the cost of the actual hours required for the project's completion, not to exceed the maximum cost for the project detailed in the MOU. In no instance shall the State be liable to the Contractor for the cost of any hours worked in excess of the maximum hours or any amount exceeding the maximum cost for project.

- A.6. Annual External Management Review Services. Currently, the State engages external investment managers to actively manage the international stock portfolio of the Retirement System (the "External Managers"). On an annual basis, the Contractor shall provide written evaluation reports on the international investment performance of each External Manager. In addition, the Contractor shall assist State staff in the ongoing evaluation of the performance of the External Managers.
- A.7. Annual Optional Retirement Plan (ORP) Review Services. On an annual basis, the Contractor shall provide written evaluation reports on the investment performance of each provider in the ORP. In addition, the Contractor shall assist State staff in the ongoing evaluation of the performance of the ORP managers.
- A.8. Biannual Meeting Presentations. The Contractor shall be available at least twice a year to meet with the Board of Trustees of the Retirement System at the State's facilities in Nashville to explain the reports and any studies described in this Section A in the Contract that relate to the Retirement System, or to discuss any other matter in connection with the services being performed by the Contractor hereunder relative to the Retirement System.
- A.9. Asset Allocation Study Services. At the State's request, the Contractor shall perform an asset allocation study on the Program's investment operations and make written recommendations to the State. The study shall be conducted in the manner mutually agreed to by the parties. The Contractor agrees to provide, at the State's request, the data and assumptions from any asset allocation study performed hereunder to the Retirement System's actuary for the purpose of

conducting an asset/liability study of the Retirement System. The data and assumptions shall be provided to the actuary in such format as shall be mutually agreed to by the parties.

- A.10. Investment Manager Search Services. At the State's request, the Contractor shall provide analysis of and assist the State in acquiring any additional External Managers desired by the State. At the direction of the State, the Contractor shall prepare and/or issue a request for information and/or questionnaire to entities that are in the business of providing international stock portfolio management. The purpose of such request for information or questionnaire shall be to define the international investment services needed by the State, to solicit proposals for the provision of such services and to gain adequate information by which the State may evaluate the services offered by proposers. If requested by the State, the Contractor shall review the proposals and recommend a certain number of international investment managers for consideration by the State. The State shall make the final decision in the selection of any such investment manager.
- A.11. Origination of Service Requests. The consulting relationship under this Contract is between the State Treasurer and the Contractor. Routine contact will be made through the State's Chief Investment Officer. In the event of direct contact by a party other than the Chief Investment Officer or the State Treasurer's office, the Contractor shall refer such party to the Chief Investment Officer from whom any such inquiries should originate.
- A.12. Warranty. Contractor represents and warrants that the term of the warranty ("Warranty Period") shall be the greater of the Term of this Contract or any other warranty general offered by Contractor, its suppliers, or manufacturers to customers of its goods or services. The goods or services provided under this Contract shall conform to the terms and conditions of this Contract throughout the Warranty Period. Any nonconformance of the goods or services to the terms and conditions of this Contract shall constitute a "Defect" and shall be considered "Defective." If Contractor receives notice of a Defect during the Warranty Period, then Contractor shall correct the Defect, at no additional charge.
- Contractor represents and warrants that the State is authorized to possess and use all equipment, materials, software, and deliverables provided under this Contract.
- Contractor represents and warrants that all goods or services provided under this Contract shall be provided in a timely and professional manner, by qualified and skilled individuals, and in conformity with standards generally accepted in Contractor's industry.
- If Contractor fails to provide the goods or services as warranted, then Contractor will re-provide the goods or services at no additional charge. If Contractor is unable or unwilling to re-provide the goods or services as warranted, then the State shall be entitled to recover the fees paid to Contractor for the Defective goods or services. Any exercise of the State's rights under this Section shall not prejudice the State's rights to seek any other remedies available under this Contract or applicable law.
- A.13. Inspection and Acceptance. The State shall have the right to inspect all good and services provided by Contractor under this Contract. If, upon inspection, the State determines that the goods and services are Defective, the State shall notify Contractor, and Contractor shall re-deliver the goods or provide the services at no additional cost to the State. If after a period of thirty (30) days following delivery of goods or performance of services, the State does not provide a notice of any Defects, the goods or services shall be deemed to have been accepted by the State. The State is responsible for the accuracy and completeness of any and all information that the State submits to Contractor (the "State Information"). The State agrees to notify the Contractor as soon as possible of any problems or errors in the State Information submitted.
- A.14. Principal Consultants. The Contractor agrees to assign the individuals named in the Contractor's Proposal as the principal consultants to the State under this Contract. Should any of the named consultants assigned to the State's account leave the direct employment of the Contractor during the term of the Contract, the State reserves the right to: (1) approve the appointment of the person

designated to replace the consultant, which consent shall not be unreasonably withheld or delayed; or (2) immediately terminate the Contract. Upon such termination, the Contractor shall have no right to any actual, general, special, incidental, consequential, or any other damages whatsoever of the description or amount as a consequence of the State terminating the Contract under the provisions of this Section A.14.

- A.15. Disclosures of Indirect and Direct Interests. The Contractor shall promptly advise the State of any direct or indirect interest it may have in any product the Program may invest in pursuant to this Contract. "Direct interest" means any contract with the Contractor itself or with any business in which the Contractor is the sole proprietor, a partner, or the entity having the controlling interest, i.e., largest number of outstanding shares owned by any single individual or corporation. "Indirect interest" means any contract in which the Contractor is interested but not directly so.
- A.16. Transition of Services Upon Termination. Upon the natural expiration of this Contract or in the event of its termination for any reason, the Contractor shall transfer, in accordance with the State's instructions, all historical performance data on the Program's investment operations to whomever the State may designate in writing to the Contractor. Such data shall be furnished to the State's written designee in a standard electronic format within thirty (30) calendar days after the State's written request therefore. The Contractor agrees to cooperate with the State, and any subsequent contractor selected by the State to perform the services hereunder, in the transition and conversion of the services hereunder. The Contractor shall remain liable to the State under this Contract for any acts or omissions occurring on or prior to the date on which all such data and all services hereunder have been successfully transferred or converted in accordance with this Paragraph.
- A.17. Services to Other Clients. The State understands and acknowledges that the Contractor performs investment advisory and management services for various clients. The State agrees that the Contractor may give advice and take action with respect to any of its other clients that may differ from advice given, or differ in the timing or nature of action taken, with respect to the State, so long as it is the Contractor's policy to allocate investment opportunities to the State over the term of this Contract on a prudent, fair and equitable basis. The Contractor shall not have any obligation to recommend the purchase or sale of any security or investment that the Contractor or its affiliates may purchase or sell for the accounts of any other client, if in the opinion of the Contractor, such transaction or investment appears unsuitable, impractical or undesirable for the State.
- A.18. Procurement of External Managers. In the event the State elects to acquire additional external investment managers under Section A.10 above, the Contractor shall promptly advise the State of any indirect interest it may have in any individual, association, corporation, or product which may be so acquired by the State. The Contractor shall have no direct interest in any individual, association, corporation, or product which may be so acquired by the State. "Direct interest" means any contract with the Contractor itself or with any business in which the Contractor is the sole proprietor, a partner, or the entity having the controlling interest, i.e., largest number of outstanding shares owned by any single individual or corporation. "Indirect interest" means any contract in which the Contractor is interested but not directly so.
- A.19. Representations and Warranties. The Contractor represents and warrants that (1) it has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services under the Contract; (2) with respect to the Account, it shall not engage in transactions with either itself, including any affiliates or parent companies, except upon the prior written approval of the Retirement System; (3) it is duly authorized to execute and deliver this Contract, and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (4) the person signing this Contract on its behalf is duly authorized to do so on its behalf; (5) it has obtained all authorizations of any governmental body required in connection with this Contract and the transactions hereunder and such authorizations are in full force and effect; and (6) the execution, delivery and performance of this Contract will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. The Contractor shall promptly notify the Retirement System in writing if any of the above representations change or

cease to be true and correct in all respects. The Contractor represents and warrants the following (to the extent applicable):

- a. With reference to Rule 206(4)-5 promulgated under the Investment Advisers Act, neither the Contractor nor any Affiliate has within the last five (5) years:
 - (i). contributed to an official of a Tennessee government entity;
 - (ii). provided or agreed to provide, directly or indirectly, payment to any person to solicit, on behalf of the Contractor, a Tennessee government entity for investment advisory services; or
 - (iii). coordinated, or solicited any person or political action committee to make, any contribution to an official of a Tennessee government entity to which the Managing Member is providing or seeking to provide investment advisory services; or
 - (iv). coordinated, or solicited any person or political action committee to make, any payment to a political party operating in Tennessee or a Tennessee county or incorporated municipality where the Contractor is providing or seeking to provide investment advisory services to Tennessee government.
- b. With reference to Municipal Securities Rulemaking Board Rule G-37, neither the Managing Member nor any Affiliate has within the last five (5) years engaged or sought to engage an issuer located in Tennessee in municipal securities business.
- c. With reference to Rule 23.451 of the Commodity Futures Trading Commission, neither the Contractor nor any Affiliate has within the last five (5) years engaged or sought to engage a Special Entity (as defined in Section 4s(h)(2)(C) of the Commodity Exchange Act) located in Tennessee in a swap or a trading strategy involving a swap.
- d. With reference to Tenn. Code Ann. §3-6-305, neither the Contractor nor any Affiliate has, within the last five (5) years, engaged in lobbying for compensation, or otherwise been involved with:
 - (i) any firm, corporation, partnership or other business entity that regularly supplies lobbying services to others for compensation; (ii) any individual, partnership, committee, association, corporation, labor organization, or any other organization or group of persons who engages in lobbying for compensation; or (iii) a person or entity that employs, retains or otherwise arranges for a lobbyist to engage in lobbying on behalf of the person or entity for compensation.
- e. The Contractor has not provided any compensation to any individual or entity for assisting in the solicitation of the State of Tennessee, Department of Treasury or any of its plans or programs.
- f. The Contractor has such policies and procedures in effect as are reasonably designed to monitor and report the activities described in a. through e. above.

No more than once per fiscal year, the Contractor shall either (i) affirm that the representations set forth in this Section A.19. are true and correct or (ii) disclose the circumstances preventing such affirmation.

- A.20. Back-up Procedures and Disaster Recovery. The Contractor shall maintain business interruption plans in the event of a loss of the Contractor's principal place of business due to natural or manmade causes, including back-up systems for data and other records, office space and other technology needed to perform the services hereunder. The Contractor shall resume services hereunder within seventy-two (72) hours of the disaster or malfunction. The Contractor shall provide notification of an incident to the State within two (2) hours after the beginning of operation of the Contractor's Emergency Operations Command Post.

A.21. On-Site Visits. The State or its duly appointed representatives shall be entitled to visit the Contractor's operational headquarters or other offices where the TCRS account is serviced and to examine all records pertaining to the TCRS account, and to make reasonable request for copies of such records.

A.22. Transfer of Contractor's Obligations.

- a. As soon as practicable, the Contractor shall notify the State in writing of a proposed merger, acquisition or sale of its business operation, or the part of its business operation that provides services under this Contract, or that this Contract will be sold to or assumed by another entity. The entity that is proposed to assume the Contractor's duties under this Contract, whether through merger, acquisition, sale or other transaction, will be hereinafter described as the "New Entity."
- b. The Contractor (or, if the Contractor no longer exists as a legal entity, the New Entity) will provide to the State within a reasonable time, information that the State may require about the merger, acquisition or sale, to the extent Contractor can provide such information under the laws and regulations of the United States Securities & Exchange Commission. which may include, but not be limited to the following:
 - i. the date and terms of the merger, acquisition or sale, including specifically, but not limited to, adequate documentation of the financial solvency and adequate capitalization of the proposed New Entity
 - ii. evidence of financial solvency and adequate capitalization of the proposed New Entity which may include, but not be limited to the following:
 - (1) Debt;
 - (2) Assets;
 - (3) Liabilities;
 - (4) Cash flow
 - (5) Percentage of the total revenues of the company that are represented by this Contract;
 - (6) The most recent annual financial reports; or
 - (7) The most recent annual financial reports filed with government agencies, if applicable; or
 - iii. a complete description of the relationship of any New Entity to any parent company or subsidiary or division resulting from the merger, acquisition or sale of the original Contractor's business or the part of the original Contractor's business that provides services under this Contract or from assumption by, or sale to, another entity of the contract itself, including, but not limited to:
 - (1) the names and positions of corporate or company officers, project managers, other Contractor management staff with responsibilities under the Contract, and numbers and the type of technical or other personnel who will be responsible for fulfilling the obligations of the Contract, and any subcontracts that will be used to provide any personal or other services under the Contract by the New Entity and,
 - (2) an organizational chart clearly describing the organizational structure of the New Entity, parent company, subsidiary, division or other unit of the entity or parent company with which it has merged or by which it, or the Contract, has been acquired.
 - iv. such additional evidence of financial solvency, adequate capitalization and information regarding corporate organizational and personnel assigned to the Contract as the State determines is necessary to evaluate the status of the proposed or consummated merger, acquisition or sale.

- c. The original Contractor shall immediately notify the State in writing in the event of a change in its legal name and/or Federal Employer Identification Number (FEIN). The Contractor shall comply with State requests for copies of any documents that have been filed with state corporate records officials or other officials in the state of its incorporation that verify the name change and a narrative description of the reasons for the name change. If a New Entity has succeeded to the interest of the original Contractor, it shall immediately provide the State written notification of its Federal Employer Identification Number (FEIN), its complete corporate name, State of incorporation, and other documentation required to effectuate the transfer.
- d. Notwithstanding any other provisions of this Contract to the contrary, the State may immediately terminate this Contract in whole or in stages in the event that it determines that the New Entity
 - i. has been debarred from State or Federal contracting in the past five years; or
 - ii. has had a contract terminated for cause by the State of Tennessee within the past five years.

The Contractor shall be entitled to compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor or New Entity for compensation for any service which has not been rendered. Upon such termination, the Contractor or New Entity shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

- e. The New Entity shall provide to the State within thirty (30) business days of the State's request, a notarized statement signed by an individual authorized to bind the New Entity certifying that all liabilities and obligations incurred by the former Contractor are assumed by the New Entity.
- f. If the New Entity owes money to the State of Tennessee, it acknowledges that Tennessee Code Annotated Section 9-4-604 requires repayment of these funds and will enter into a legally binding agreement for repayment.

B. TERM OF CONTRACT:

This Contract shall be effective on December 1, 2015 ("Effective Date") and extend for a period of sixty (60) months after the Effective Date ("Term"). The State shall have no obligation for goods or services provided by the Contractor prior to the Effective Date.

C. PAYMENT TERMS AND CONDITIONS:

- C.1. **Maximum Liability.** In no event shall the maximum liability of the State under this Contract exceed two million five hundred fifty-two thousand five hundred dollars (\$ 2,552,500.00) ("Maximum Liability"). This Contract does not grant the Contractor any exclusive rights. The State does not guarantee that it will buy any minimum quantity of goods or services under this Contract. Subject to the terms and conditions of this Contract, the Contractor will only be paid for goods or services provided under this Contract after a purchase order is issued to Contractor by the State or as otherwise specified by this Contract.
- C.2. **Compensation Firm.** The payment methodology in Section C.3. of this Contract shall constitute the entire compensation due the Contractor for all goods or services provided under this Contract regardless of the difficulty, materials or equipment required. The payment methodology includes all applicable taxes, fees, overhead, and all other direct and indirect costs incurred or to be incurred by the Contractor.
- C.3. **Payment Methodology.** The Contractor shall be compensated based on the payment methodology for goods or services authorized by the State in a total amount as set forth in Section C.1.
- a. The Contractor's compensation shall be contingent upon the satisfactory provision of goods or services as set forth in Section A.
 - b. The Contractor shall be compensated based upon the following payment methodology:
 - (1) For service performed from December 1, 2015 to November 30, 2016, the following rates shall apply:

Services Description	Amount (per compensable increment)
Investment Consulting Services (detailed at Contract Sections A.3 through A.5.a. and A.6. through A.8.) including <i>Due Diligence Review, Performance Measurement and Portfolio Analytics, Consulting, Education and Research Services, Annual External Management Review Services, Annual Optional Retirement Plan Review Services, Biannual Meeting Presentations</i>	\$ 30,000.00 per month
Asset Allocation Study (detailed at Contract Section A.9.)	\$ 25,000.00 per study
Investment Manager Search – including all associated services (detailed at Contract Section A.10.)	\$ 25,000.00 per search
Education and Research Projects (detailed at Contract Section A.5.b.)	\$ 250.00 per hour

- (2) For service performed from December 1, 2016, through November 30, 2017, the Contractor shall be compensated based upon the payment rates in Section C.3.b.(1), above, but adjusted by the percentage increase, if any, between the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, All Items expenditure category, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics in November 2016 and that figure published in the same month, 12- months prior, up to a maximum of four percent (4%).

- (3) For service performed from December 1, 2017, through November 30, 2018, the Contractor shall be compensated based upon the payment rates in Section C.3.b.(1), above, but adjusted by the percentage increase, if any, between the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, All Items expenditure category, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics in November 2017 and that figure published in the same month, 12- months prior, up to a maximum of four percent (4%).
- (4) For service performed from December 1, 2018, through November 30, 2019, the Contractor shall be compensated based upon the payment rates in Section C.3.b.(1), above, but adjusted by the percentage increase, if any, between the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, All Items expenditure category, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics in November 2018 and that figure published in the same month, 12- months prior, up to a maximum of four percent (4%).
- (5) For service performed from December 1, 2019, through November 30, 2020, the Contractor shall be compensated based upon the payment rates in Section C.3.b.(1), above, but adjusted by the percentage increase, if any, between the Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, All Items expenditure category, not seasonally adjusted, index base period: 1982-84=100) published by the United States Department of Labor, Bureau of Labor Statistics in November 2019 and that figure published in the same month, 12- months prior, up to a maximum of four percent (4%).

- c. The Contractor shall not be compensated for travel time to the primary location of service provision.
- d. A "month" shall be defined as a calendar month. If the Contractor provides service during a period that is less than a calendar month, the Contractor shall bill *pro rata* for only the number of days of said period. The Contractor shall not bill more than the monthly rate regardless of the difficulty, time, or resources required by included and required services.

C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel time, travel expenses, meals, or lodging.

C.5. Invoice Requirements. The Contractor shall invoice the State only for goods delivered and accepted by the State or services satisfactorily provided at the amounts stipulated in Section C.3., above. Contractor shall submit invoices and necessary supporting documentation via email, no more frequently than once a month, and no later than thirty (30) days after goods or services have been provided to the following address:

Michael Brakebill, Chief Investment Officer
State of Tennessee, Treasury Department
Investment Division
13th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243

- a. Each invoice, on Contractor's letterhead, shall clearly and accurately detail all of the following information (calculations must be extended and totaled correctly):

- (1) Invoice number (assigned by the Contractor);
- (2) Invoice date;
- (3) Contract number (assigned by the State);
- (4) Customer account name: Treasury Department, Investment Division;
- (5) Customer account number (assigned by the Contractor to the above-referenced Customer);
- (6) Contractor name;
- (7) Contractor Tennessee Edison registration ID number;
- (8) Contractor contact for invoice questions (name, phone, or email);
- (9) Contractor remittance address;
- (10) Description of delivered goods or services provided and invoiced, including identifying information as applicable;
- (11) Number of delivered or completed units, increments, hours, or days as applicable, of each good or service invoiced;
- (12) Applicable payment methodology (as stipulated in Section C.3.) of each good or service invoiced;
- (13) Amount due for each compensable unit of good or service; and
- (14) Total amount due for the invoice period.

b. Contractor's invoices shall:

- (1) Only include charges for goods delivered or services provided as described in Section A and in accordance with payment terms and conditions set forth in Section C;
- (2) Only be submitted for goods delivered or services completed and shall not include any charge for future goods to be delivered or services to be performed;
- (3) Not include Contractor's taxes, which includes without limitation Contractor's sales and use tax, excise taxes, franchise taxes, real or personal property taxes, or income taxes; and
- (4) Include shipping or delivery charges only as authorized in this Contract.

c. The timeframe for payment (or any discounts) begins only when the State is in receipt of an invoice that meets the minimum requirements of this Section C.5.

C.6. **Payment of Invoice.** A payment by the State shall not prejudice the State's right to object to or question any payment, invoice, or other matter. A payment by the State shall not be construed as acceptance of goods delivered, any part of the services provided, or as approval of any amount invoiced.

C.7. **Invoice Reductions.** The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment that is determined by the State, on the basis of audits conducted in accordance with the terms of this Contract, to not constitute proper compensation for goods delivered or services provided.

C.8. **Deductions.** The State reserves the right to deduct from amounts, which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee, any amounts that are or shall become due and payable to the State of Tennessee by the Contractor.

C.9. **Prerequisite Documentation.** The Contractor shall not invoice the State under this Contract until the State has received the following, properly completed documentation.

- a. The Contractor shall complete, sign, and present to the State the "Authorization Agreement for Automatic Deposit Form" provided by the State. By doing so, the Contractor acknowledges and agrees that once this form is received by the State, payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee, may be made by ACH; and

- b. The Contractor shall complete, sign, and return to the State the State-provided W-9 form. The taxpayer identification number on the W-9 form must be the same as the Contractor's Federal Employer Identification Number or Social Security Number referenced in the Contractor's Edison registration information.

D. MANDATORY TERMS AND CONDITIONS:

- D.1. Required Approvals. The State is not bound by this Contract until it is duly approved by the Parties and all appropriate State officials in accordance with applicable Tennessee laws and regulations. Depending upon the specifics of this Contract, this may include approvals by the Commissioner of Finance and Administration, the Commissioner of Human Resources, the Comptroller of the Treasury, and the Chief Procurement Officer. Approvals shall be evidenced by a signature or electronic approval.
- D.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract 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 or facsimile transmission with recipient confirmation. All communications, regardless of method of transmission, shall be addressed to the respective Party at the appropriate mailing address, facsimile number, or email address as stated below or any other address provided in writing by a Party.

The State:

Michael Brakebill, Chief Investment Officer
Treasury Department, Investment Division
13th Floor, Andrew Jackson Building
502 Deaderick Street
Nashville, Tennessee 37243
michael.brakebill@tn.gov
Telephone # (615) 532-1157
FAX # (615) 253-4969

The Contractor:

Barry Dennis, CEO and Managing Director
Strategic Investment Solutions, Inc.
333 Bush Street
San Francisco, California 94104
bwd@sis-sf.com
Telephone # (415) 362-3484
FAX # (415) 362-2752

All instructions, notices, consents, demands, or other communications shall be considered effective upon receipt or recipient confirmation as may be required.

- D.3. Modification and Amendment. This Contract may be modified only by a written amendment signed by all Parties and approved by all applicable State officials.
- D.4. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State or federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate this Contract upon written notice to the Contractor. The State's exercise of its right to terminate this Contract shall not constitute a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. If the State terminates this Contract due to lack of funds availability, the Contractor shall be entitled to compensation for all conforming goods requested and accepted by the State and for all satisfactory and authorized services completed as of the termination date. Should the

State exercise its right to terminate this Contract due to unavailability of funds, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages of any description or amount.

- D.5. Termination for Convenience. The State may terminate this Contract for convenience without cause and for any reason. The State shall give the Contractor at least thirty (30) days written notice before the termination date. The Contractor shall be entitled to compensation for all conforming goods delivered and accepted by the State or for satisfactory, authorized services completed as of the termination date. In no event shall the State be liable to the Contractor for compensation for any goods neither requested nor accepted by the State or for any services neither requested by the State nor satisfactorily performed by the Contractor. In no event shall the State's exercise of its right to terminate this Contract for convenience relieve the Contractor of any liability to the State for any damages or claims arising under this Contract.
- D.6. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract, or if the Contractor materially violates any terms of this Contract, ("Breach Condition"), the State shall provide written notice to Contractor specifying the Breach Condition. If, within thirty (30) days of notice, the Contractor has not cured the Breach Condition, the state may terminate the Contract and withhold payments in excess of compensation for completed services or provided goods. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor and the State may seek other remedies allowed at law or in equity for breach of this Contract.
- D.7. Assignment and Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the goods or services provided under this Contract without the prior written approval of the State, which consent shall not be unreasonably withheld or delayed. Notwithstanding any use of the approved subcontractors, the Contractor shall be the prime contractor and responsible for compliance with all terms and conditions of this Contract. The State reserves the right to request additional information or impose additional terms and conditions before approving an assignment of this Contract in whole or in part or the use of subcontractors in fulfilling the Contractor's obligations under this Contract.
- D.8. Conflicts of Interest. The Contractor warrants that no part of the Contractor's compensation shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed under this Contract.

The Contractor acknowledges, understands, and agrees that this Contract shall be null and void if the Contractor is, or within the past six (6) months has been, an employee of the State of Tennessee or if the Contractor is an entity in which a controlling interest is held by an individual who is, or within the past six (6) months has been, an employee of the State of Tennessee.

- D.9. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of handicap or disability, age, race, creed, color, religion, sex, national origin, or any other classification protected by federal or state law. The Contractor shall, upon request, show proof of nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.10. Prohibition of Illegal Immigrants. The requirements of Tenn. Code Ann. § 12-3-309 addressing the use of illegal immigrants in the performance of any contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.
- a. The Contractor agrees that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the

services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment A, semi-annually during the Term. If the Contractor is a party to more than one contract with the State, the Contractor may submit one attestation that applies to all contracts with the State. All Contractor attestations shall be maintained by the Contractor and made available to State officials upon request.

- b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the Term, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work under this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work under this Contract. Attestations obtained from subcontractors shall be maintained by the Contractor and made available to State officials upon request.
 - c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Contractor's records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
 - d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Tenn. Code Ann. § 12-3-309 for acts or omissions occurring after its effective date.
 - e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not: (i) a United States citizen; (ii) a Lawful Permanent Resident; (iii) a person whose physical presence in the United States is authorized; (iv) allowed by the federal Department of Homeland Security and who, under federal immigration laws or regulations, is authorized to be employed in the U.S.; or (v) is otherwise authorized to provide services under the Contract.
- D.11. **Records.** The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, for work performed or money received under this Contract, shall be maintained for a period of five (5) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.12. **Monitoring.** The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.13. **Progress Reports.** The Contractor shall submit brief, periodic, progress reports to the State mutually agreed upon by the parties.
- D.14. **Strict Performance.** Failure by any Party to this Contract to require, in any one or more cases, the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the Parties.
- D.15. **Independent Contractor.** The Parties shall not act as employees, partners, joint venturers, or associates of one another. The Parties are independent contracting entities. Nothing in this Contract shall be construed to create an employer/employee relationship or to allow either Party 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 are not employees or agents of the other Party. Contractor shall have no responsibility or authority to (i) manage or in any way direct the investment of any assets of the State, or (ii) enter into any

agreement with any investment manager on behalf of, or otherwise bind, the State. Nothing contained herein shall require the State to engage any investment manager recommended by Contractor or to follow any advice provided by Contractor. Contractor has no responsibility for voting any proxies solicited by or with respect to issuers of securities in which the assets of the State may be invested from time to time.

- D.16. Patient Protection and Affordable Care Act. The Contractor agrees that it will be responsible for compliance with the Patient Protection and Affordable Care Act ("PPACA") with respect to itself and its employees, including any obligation to report health insurance coverage, provide health insurance coverage, or pay any financial assessment, tax, or penalty for not providing health insurance. The Contractor shall indemnify the State and hold it harmless for any costs to the State arising from Contractor's failure to fulfill its PPACA responsibilities for itself or its employees.
- D.17. Limitation of State's Liability. The State shall have no liability except as specifically provided in this Contract. In no event will the State be liable to the Contractor or any other party for any lost revenues, lost profits, loss of business, decrease in the value of any securities or cash position, time, money, goodwill, or any indirect, special, incidental, punitive, exemplary or consequential damages of any nature, whether based on warranty, contract, statute, regulation, tort (including but not limited to negligence), or any other legal theory that may arise under this Contract or otherwise. The State's total liability under this Contract (including any exhibits, schedules, amendments or other attachments to the Contract) or otherwise shall under no circumstances exceed the Maximum Liability. This limitation of liability is cumulative and not per incident.
- D.18. Limitation of Contractor's Liability. In accordance with Tenn. Code Ann. § 12-3-701, the Contractor's liability for all claims arising under this Contract shall be limited to an amount equal to two (2) times the Maximum Liability amount detailed in Section C.1. and as may be amended, PROVIDED THAT in no event shall this Section limit the liability of the Contractor for: (i) intellectual property or any Contractor indemnity obligations for infringement for third-party intellectual property rights; (ii) any claims covered by any specific provision in the Contract providing for liquidated damages; or (iii) any claims for intentional torts, criminal acts, fraudulent conduct, or acts or omissions that result in personal injuries or death.
- D.19. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State to enforce the terms of this Contract.
- In the event of any suit or claim, the Parties shall give each other immediate notice and provide all necessary assistance to respond. The failure of the State to give notice shall only relieve the Contractor of its obligations under this Section to the extent that the Contractor can demonstrate actual prejudice arising from the failure to give notice. This Section shall not grant the Contractor, through its attorneys, the right to represent the State in any legal matter, as the right to represent the State is governed by Tenn. Code Ann. § 8-6-106.
- D.20. HIPAA Compliance. The State and Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), Health Information Technology for Economic and Clinical Health ("HITECH") Act and any other relevant laws and regulations regarding privacy (collectively the "Privacy Rules"). The obligations set forth in this Section shall survive the termination of this Contract.
- a. Contractor warrants to the State that it is familiar with the requirements of the Privacy Rules, and will comply with all applicable requirements in the course of this Contract.

- b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by the Privacy Rules, in the course of performance of the Contract so that both parties will be in compliance with the Privacy Rules.
- c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by the Privacy Rules and that are reasonably necessary to keep the State and Contractor in compliance with the Privacy Rules. This provision shall not apply if information received or delivered by the parties under this Contract is NOT "protected health information" as defined by the Privacy Rules, or if the Privacy Rules permit the parties to receive or deliver the information without entering into a business associate agreement or signing another document.
- d. The Contractor will indemnify the State and hold it harmless for any violation by the Contractor or its subcontractors of the Privacy Rules. This includes the costs of responding to a breach of protected health information, the costs of responding to a government enforcement action related to the breach, and any fines, penalties, or damages paid by the State because of the violation.

D.21. Tennessee Consolidated Retirement System. Subject to statutory exceptions contained in Tenn. Code Ann. §§ 8-36-801, *et seq.*, the law governing the Tennessee Consolidated Retirement System ("TCRS"), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established under Tenn. Code Ann. §§ 8-35-101, *et seq.*, accepts State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor, if a retired member of TCRS, may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the Term.

D.22. Tennessee Department of Revenue Registration. The Contractor shall comply with all applicable registration requirements contained in Tenn. Code Ann. §§ 67-6-601 – 608. Compliance with applicable registration requirements is a material requirement of this Contract.

D.23. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it, its current and future principals, its current and future subcontractors and their principals:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal or state department or agency;
- b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or grant under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
- c. are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Contract had one or more public transactions (federal, state, or local) terminated for cause or default.

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontractors are excluded or disqualified.

- D.24. Force Majeure. "Force Majeure Event" means fire, flood, earthquake, elements of nature or acts of God, wars, riots, civil disorders, rebellions or revolutions, acts of terrorism or any other similar cause beyond the reasonable control of the Party except to the extent that the non-performing Party is at fault in failing to prevent or causing the default or delay, and provided that the default or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, workaround plans or other means. A strike, lockout or labor dispute shall not excuse either Party from its obligations under this Contract. Except as set forth in this Section, any failure or delay by a Party in the performance of its obligations under this Contract arising from a Force Majeure Event is not a default under this Contract or grounds for termination. The non-performing Party will be excused from performing those obligations directly affected by the Force Majeure Event, and only for as long as the Force Majeure Event continues, provided that the Party continues to use diligent, good faith efforts to resume performance without delay. The occurrence of a Force Majeure Event affecting Contractor's representatives, suppliers, subcontractors, customers or business apart from this Contract is not a Force Majeure Event under this Contract. Contractor will promptly notify the State of any delay caused by a Force Majeure Event (to be confirmed in a written notice to the State within one (1) day of the inception of the delay) that a Force Majeure Event has occurred, and will describe in reasonable detail the nature of the Force Majeure Event. If any Force Majeure Event results in a delay in Contractor's performance longer than forty-eight (48) hours, the State may, upon notice to Contractor: (a) cease payment of the fees until Contractor resumes performance of the affected obligations; or (b) immediately terminate this Contract or any purchase order, in whole or in part, without further payment except for fees then due and payable. Contractor will not increase its charges under this Contract or charge the State any fees other than those provided for in this Contract as the result of a Force Majeure Event.
- D.25. State and Federal Compliance. The Contractor shall comply with all applicable state and federal laws and regulations in the performance of this Contract.
- D.26. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Tennessee Claims Commission or the state or federal courts in Tennessee shall be the venue for all claims, disputes, or disagreements arising under this Contract. The Contractor acknowledges and agrees that any rights, claims, or remedies against the State of Tennessee or its employees arising under this Contract shall be subject to and limited to those rights and remedies available under Tenn. Code Ann. §§ 9-8-101 - 407.
- D.27. Entire Agreement: This Contract is complete and contains the entire understanding between the Parties relating to its subject matter, including all the terms and conditions of the Parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the Parties, whether written or oral.
- D.28. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions of this Contract shall not be affected and shall remain in full force and effect. The terms and conditions of this Contract are severable.
- D.29. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.
- D.30. Incorporation of Additional Documents. Each of the following documents is included as a part of this Contract by reference. In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these items shall govern in order of precedence below:
- a. any amendment to this Contract, with the latter in time controlling over any earlier amendments;

- b. this Contract with any attachments or exhibits (excluding the items listed at subsections c. through f., below), which includes Contract Attachment A: Attestations and Contract Attachment B: Treasury Department Gifts and Solicitations Policy;
- c. any clarifications of or addenda to the Contractor's proposal seeking this Contract;
- d. the State solicitation, as may be amended, requesting responses in competition for this Contract;
- e. any technical specifications provided to proposers during the procurement process to award this Contract; and,
- f. the Contractor's response seeking this Contract.

D.31. Insurance. Contractor shall provide the State a certificate of insurance ("COI") evidencing the coverages and amounts specified below. The COI shall be provided ten (10) business days prior to the Effective Date and again upon renewal or replacement of coverages required by this Contract. If insurance expires during the Term, the State must receive a new COI at least thirty (30) calendar days prior to the insurance's expiration date. If the Contractor loses insurance coverage, does not renew coverage, or for any reason becomes uninsured during the Term, the Contractor shall notify the State immediately. The COI shall be on a form approved by the Tennessee Department of Commerce and Insurance ("TDCI") and signed by an authorized representative of the insurer. The COI shall list each insurer's national association of insurance commissioners (also known as NAIC) number or federal employer identification number and list the State of Tennessee, Risk Manager, 312 Rosa L. Parks Ave., 3rd floor Central Procurement Office, Nashville, TN 37243 in the certificate holder section. At any time, the State may require the Contractor to provide a valid COI detailing coverage description; insurance company; policy number; exceptions; exclusions; policy effective date; policy expiration date; limits of liability; and the name and address of insured. The Contractor's failure to maintain or submit evidence of insurance coverage is considered a material breach of this Contract.

If the Contractor desires to self-insure, then a COI will not be required to prove coverage. In place of the COI, the Contractor must provide a certificate of self-insurance or a letter on the Contractor's letterhead detailing its coverage, liability policy amounts, and proof of funds to reasonably cover such expenses. Compliance with Tenn. Code Ann. § 50-6-405 and the rules of the TDCI is required for the Contractor to self-insure workers' compensation.

All insurance companies must be: (a) acceptable to the State; (b) authorized by the TDCI to transact business in the State of Tennessee; and (c) rated A-VII or better by A. M. Best. The Contractor shall provide the State evidence that all subcontractors maintain the required insurance or that the subcontractors are included under the Contractor's policy.

The Contractor agrees to name the State as an additional insured on any insurance policies with the exception of workers' compensation (employer liability) and professional liability (errors and omissions) ("Professional Liability") insurance. Also, all policies shall contain an endorsement for a waiver of subrogation in favor of the State. The deductible and any premiums are the Contractor's sole responsibility. Any deductible over fifty thousand dollars (\$50,000) must be approved by the State. The Contractor agrees that the insurance requirements specified in this Section do not reduce any liability the Contractor has assumed under this Contract including any indemnification or hold harmless requirements.

The State agrees that it shall give written notice to the Contractor as soon as practicable after the State becomes aware of any claim asserted or made against the State, but in no event later than thirty (30) calendar days after the State becomes aware of such claim. The failure of the State to give notice shall only relieve the Contractor of its obligations under this Section to the extent that the Contractor can demonstrate actual prejudice arising from the failure to give notice. This Section shall not grant the Contractor or its insurer, through its attorneys, the right to represent the State in any legal matter, as the right to represent the State is governed by Tenn. Code Ann. § 8-6-106.

All coverage required shall be on a primary basis and noncontributory with any other insurance coverage or self-insurance carried by the State. The State reserves the right to amend or require additional endorsements, types of coverage, and higher or lower limits of coverage depending on

the nature of the work. Purchases or contracts involving any hazardous activity or equipment, tenant, concessionaire and lease agreements, alcohol sales, cyber-liability risks, environmental risks, special motorized equipment, or property may require customized insurance requirements (e.g. umbrella liability insurance) in addition to the general requirements listed below.

The Contractor shall obtain and maintain, at a minimum, the following insurance coverages and policy limits.

a. Commercial General Liability Insurance

- 1) The Contractor shall maintain commercial general liability insurance, which shall be written on an Insurance Services Office, Inc. (also known as ISO) occurrence form (or a substitute form providing equivalent coverage) and shall cover liability arising from property damage, premises/operations, independent contractors, contractual liability, completed operations/products, personal and advertising injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract).
- 2) The Contractor shall maintain bodily injury/property damage with a combined single limit not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate for bodily injury and property damage, including products and completed operations coverage with an aggregate limit of at least two million dollars (\$2,000,000). Umbrella liability limits may be used to satisfy the required limits of coverage.

b. Workers' Compensation and Employer Liability Insurance

- 1) For Contractors statutorily required to carry workers' compensation and employer liability insurance, the Contractor shall maintain:
 - i. Workers' compensation and employer liability insurance in the amounts required by appropriate state statutes; or
 - ii. In an amount not less than one million dollars (\$1,000,000) including employer liability of one million dollars (\$1,000,000) per accident for bodily injury by accident, one million dollars (\$1,000,000) policy limit by disease, and one million dollars (\$1,000,000) per employee for bodily injury by disease. Umbrella liability limits may be used to satisfy the required limits of coverage.
- 2) If the Contractor certifies that it is exempt from the requirements of Tenn. Code Ann. §§ 50-6-101 – 103, then the Contractor shall furnish written proof of such exemption for one or more of the following reasons:
 - i. The Contractor employees fewer than five (5) employees;
 - ii. The Contractor is a sole proprietor;
 - iii. The Contractor is in the construction business or trades with no employees;
 - iv. The Contractor is in the coal mining industry with no employees;
 - v. The Contractor is a state or local government; or
 - vi. The Contractor self-insures its workers' compensation and is in compliance with the TDCI rules and Tenn. Code Ann. § 50-6-405.

c. Automobile Liability Insurance

- 1) The Contractor shall maintain automobile liability insurance which shall cover liability arising out of any automobile (including owned, leased, hired, and non-owned automobiles).
- 2) The Contractor shall maintain bodily injury/property damage with a limit not less than one million dollars (\$1,000,000) per occurrence or combined single limit. Umbrella liability limits may be used to satisfy the required limits of coverage

d. Professional Liability Insurance

- 1) Professional liability insurance shall be written on an occurrence basis. This coverage may be written on a claims-made basis but must include

- an extended reporting period or "tail coverage" of at least two (2) years after the Term;
- 2) Any professional liability insurance policy shall have a limit not less than one million dollars (\$1,000,000) per claim and two million dollars (\$2,000,000) in the aggregate (Umbrella liability limits may be used to satisfy the required limits of coverage); and
 - 3) If the Contract involves the provision of services by medical professionals, a policy limit not less than two million (\$2,000,000) per claim and three million dollars (\$3,000,000) in the aggregate for medical malpractice insurance.
- e. Errors and Omission Coverage
- 1) with a limit of not less than one million dollars (\$1,000,000) per claim and two million dollars (\$2,000,000) aggregate.

E. SPECIAL TERMS AND CONDITIONS:

E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, the special terms and conditions shall be subordinate to the Contract's other terms and conditions.

E.2. Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State that is regarded as confidential under state or federal law shall be regarded as "Confidential Information." Nothing in this Section shall permit Contractor to disclose any Confidential Information, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties. Confidential Information shall not be disclosed except as required or permitted under state or federal law. Contractor shall take all necessary steps to safeguard the confidentiality of such material or information in conformance with applicable state and federal law.

The obligations set forth in this Section shall survive the termination of this Contract.

E.3. Work Papers Subject to Review. The Contractor shall make all audit, accounting, or financial analysis work papers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

E.4. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

- a. No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of an agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- b. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with any contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

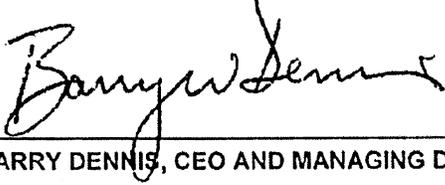
- c. The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into and is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. § 1352.

- E.5. Partial Takeover of Contract. The State may, at its convenience and without cause, exercise a partial takeover of any service that the Contractor is obligated to perform under this Contract, including any service which is the subject of a subcontract between Contractor and a third party (a "Partial Takeover"). A Partial Takeover of this Contract by the State shall not be deemed a breach of contract. The Contractor shall be given at least thirty (30) days prior written notice of a Partial Takeover. The notice shall specify the areas of service the State will assume and the date the State will be assuming. The State's exercise of a Partial Takeover shall not alter the Contractor's other duties and responsibilities under this Contract. The State reserves the right to withhold from the Contractor any amounts the Contractor would have been paid but for the State's exercise of a Partial Takeover. The amounts shall be withheld effective as of the date the State exercises its right to a Partial Takeover. The State's exercise of its right to a Partial Takeover of this Contract shall not entitle the Contractor to any actual, general, special, incidental, consequential, or any other damages irrespective of any description or amount.
- E.6. Unencumbered Personnel. The Contractor shall not restrict its employees, agents, subcontractors or principals who perform services for the State under this Contract from performing the same or similar services for the State after the termination of this Contract, either as a State employee, an independent contractor, or an employee, agent, subcontractor or principal of another contractor with the State.
- E.7. Applicable Gifts and Solicitations Policy. The Contractor shall not offer to give, or give, any gift to any employee of the Treasury Department or to any member of the Board, Commission or Committee administratively attached to the Treasury Department that would violate the Treasury Department's Gifts and Solicitations Policy, attached hereto as Contract Attachment B which may be updated from time to time.
- E.8. Acknowledgments. The State acknowledges and agrees that:
- a. Contractor has not made and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of the State's investments;
 - b. the past performance of the accounts of other clients of Contractor is not necessarily indicative of the future performance of the State's investments;
 - c. in the performance of its services under this Agreement, Contractor shall be entitled to rely on information furnished by investment managers, it being understood that Contractor shall have no liability for the accuracy or completeness of any information furnished or representation made by the investment managers, provided Contractor conducted due diligence and evaluation of such investment managers with reasonable care; and
 - d. to the extent permitted by applicable law, Contractor will not be liable for any losses or expenses incurred as a result of any action or omission by an investment manager, custodian or unrelated third party.
- E.9. Survival. The terms, provisions, representations, and warranties contained in this Contract which by their sense and context are intended to survive the performance and termination of this Contract, shall so survive the completion of performance and termination of this Contract.

IN WITNESS WHEREOF,

STRATEGIC INVESTMENT SOLUTIONS, INC.:

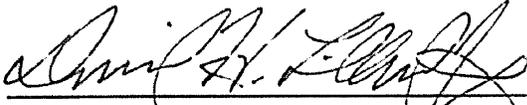


BARRY DENNIS, CEO AND MANAGING DIRECTOR

DATE 11/11/2015

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

TREASURY DEPARTMENT:



DAVID H. LILLARD, JR., STATE TREASURER

NOV. 20, 2015

DATE

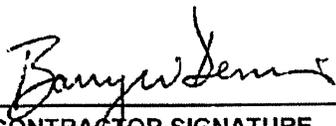
Approved for signature by CA 11/19/15

CONTRACT ATTACHMENT A

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	
CONTRACTOR LEGAL ENTITY NAME:	STRATEGIC INVESTMENT SOLUTIONS, INC.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	██████████

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.



CONTRACTOR SIGNATURE

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. Attach evidence documenting the individual's authority to contractually bind the Contractor, unless the signatory is the Contractor's chief executive or president.

Barry W. Dennis, Managing Director

PRINTED NAME AND TITLE OF SIGNATORY

11/11/2015

DATE OF ATTESTATION

TREASURY DEPARTMENT GIFTS AND SOLICITATION POLICY

No employee or any member of a Board, Commission or Committee administratively attached to the Department shall solicit, accept or agree to accept, directly or indirectly, on behalf themselves or their immediate family, any gift in violation of state law including, but not limited to, any gratuity, service, favor, entertainment, lodging, transportation, loan, loan guarantee rebate, money, any promise, obligation or contract for future awards or compensation or any other thing of monetary value, from any **individual or entity** that:

- Has, or is seeking to obtain, contractual or other business or financial relations with the Treasury Department or the Tennessee Consolidated Retirement System;
- Conducts operations or activities that are regulated by the Treasury Department;
- May bid on future procurement from the Department or a Board, Commission, or Committee administratively attached to the Department based on the employee's reasonable belief that the person or entity intends to submit a bid; or
- Has an interest that may be substantially affected by the performance or nonperformance of the employee's official duties.

Generally, gifts from a lobbyist or an employer of a lobbyist are prohibited; however, the following are exceptions to the general gift prohibition:

- A gift given for nonbusiness purpose and motivated by a close personal friendship and not by the position of the employee, and specifically authorized and defined by the Ethics Commission;
- Informational materials in the form of books, articles, periodicals, other written materials, audiotapes, videotapes, or other forms of communication;
- Sample merchandise, promotional items, and appreciation tokens if they are routinely given to customers, suppliers or potential customers or suppliers in the ordinary course of business;
- Unsolicited tokens or awards of appreciation, honorary degrees, or bona fide awards in recognition of public service in the form of a plaque, trophy, desk item, wall memento, and similar items, provided that any such item shall not be in a form which can readily be converted to cash;
- Benefits resulting from business, employment, or other outside activities of the employee or the employee's immediate family, if such benefits are customarily provided to others in similar circumstances and are not enhanced due to the status of the employee;
- Opportunities and benefits made available to all members of an appropriate class of the general public, including but not limited to, discounts afforded to the general public or prizes and awards given out in public contests;
- Expenses of out-of-state travel, if such expenses are paid for or reimbursed by a governmental entity or an established and recognized organization of elected or appointed state government officials;

CONTRACT ATTACHMENT B

- Food, refreshments, amenities, goody bags, entertainment, or beverages provided as part of a meal, reception or similar event including tradeshows and professional meetings; and
- Food, refreshments, meals, foodstuffs, entertainment, beverages that are provided in connection with the following: an event where the employee is a speaker or part of a panel discussion at a scheduled meeting of an established or recognized membership organization which regularly meets at in-state events in which invitations are extended to legislative or executive branch employees. The value of the items shall not exceed fifty dollars (\$50.00) per person, per day.*

* The amount may be increased to reflect the percentage of change in the average consumer price index. The Ethics Commission publishes the increased amount on its website.

For other gifts offered which are not included in the exceptions above, the employee must obtain the written approval of the Assistant Treasurer for Legal, Compliance, and Audit.

Rule Exception Request

Use this document to request changes to Central Procurement Office templates, policies, or other procurement documents or to modify the "necessary contract clauses" identified in Tenn. Comp. R. & Reg. 0690-03-01-.17 ("CPO Rule 17"). Complete this document in conformity with CPO Rule 17, which is available [here](#). Send the completed document in PDF format to: AgSprs.Agsprsr@tn.gov All Rule Exception Requests are subject to review and approval by the Chief Procurement Officer. Rule Exception Requests that propose to modify any of CPO Rule 17's necessary contract clauses shall be subject to review and approval by the Comptroller of the Treasury.

APPROVED
 Kevin C. Bartels for
 Michael F. Perry
Digitally signed by Kevin C. Bartels for Michael F. Perry
 DN: cn=Kevin C. Bartels for Michael F. Perry,
 o=CPO, ou,email=Kevin.C.Bartels@tn.gov, c=US
 Date: 2016.02.26 14:09:15 -06'00'
 CHIEF PROCUREMENT OFFICER

APPROVED

 COMPTROLLER OF THE TREASURY

Agency request tracking #	30901-28316
1. Procuring Agency	Department of Treasury
2. Edison contract ID #	70965
3. Contractor or Grantee	Strategic Investment Solutions, Inc.
4. Contract's Effective Date	December 1, 2015
5. Contract or grant contract's Term (with ALL options to extend exercised)	60 months
6. Contract's Maximum Liability (with ALL options to extend exercised)	\$ 2,552,500
7. Citation and explanation of the rule(s) for which the exception is requested	Rule 0680-01-01.16 which provides, in part, that "[t]he terms and conditions of a contract subject to these Rules shall be written, in form and content, in accordance with Central Procurement Office Policy."
8. Description of requested changes If adding new provisions or modifying existing provisions, insert the new or modified provisions in their entirety.	<p>The following changes to the state standard contract language are requested. The changes are highlighted and listed below:</p> <p>The State will agree to accept the first two (2) sentences in the proposed additional language, but not the last sentence, such that, as amended, Section A.13. shall read as follows:</p> <p>A.13. Inspection and Acceptance. The State shall have the right to inspect all good and services provided by Contractor under this Contract. If, upon inspection, the State determines that the goods and services are Defective, the State shall notify Contractor, and Contractor shall re-deliver the goods or provide the services at no additional cost to the State. If after a period of thirty (30) days following delivery of goods or performance of services, the State does not provide a notice of any Defects, the goods or services shall be deemed to have been accepted by the State. The State</p>

is responsible for the accuracy and completeness of any and all information that the State submits to Contractor (the "State Information"). The State agrees to notify the Contractor as soon as possible of any problems or errors in the State Information submitted.

The State added the following language to the E section of the state standard contract:

Acknowledgments

The State acknowledges and agrees that:

- a. Contractor has not made and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of the State's investments;
- b. the past performance of the accounts of other clients of Contractor is not necessarily indicative of the future performance of the State's investments;
- c. in the performance of its services under this Agreement, Contractor shall be entitled to rely on information furnished by investment managers, it being understood that Contractor shall have no liability for the accuracy or completeness of any information furnished or representation made by the investment managers, provided Contractor conducted due diligence and evaluation of such investment managers with reasonable care; and
- d. to the extent permitted by applicable law, Contractor will not be liable for any losses or expenses incurred as a result of any action or omission by an investment manager, custodian or unrelated third party.

D.7. Assignment and Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the goods or services provided under this Contract without the prior written approval of the State, which consent shall not be unreasonably withheld or delayed. Notwithstanding any use of the approved subcontractors, the Contractor shall be the prime contractor and responsible for compliance with all terms and conditions of this Contract. The State reserves the right to request additional information or impose additional terms and conditions before approving an assignment of this Contract in whole or in part or the use of subcontractors in fulfilling the Contractor's obligations under this Contract.

D.13. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State mutually agreed upon by the parties.

D.15. Independent Contractor. The Parties shall not act as employees, partners, joint venturers, or associates of one another. The Parties are independent contracting entities. Nothing in this Contract shall be construed to create an employer/employee relationship or to allow either Party 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 are not employees or agents of the other Party. Contractor shall have no

responsibility or authority to (i) manage or in any way direct the investment of any assets of the State, or (ii) enter into any agreement with any investment manager on behalf of, or otherwise bind, the State. Nothing contained herein shall require the State to engage any investment manager recommended by Contractor or to follow any advice provided by Contractor. Contractor has no responsibility for voting any proxies solicited by or with respect to issuers of securities in which the assets of the State may be invested from time to time.

D.31. Insurance. Contractor shall provide the State a certificate of insurance ("COI") evidencing the coverages and amounts specified below. The COI shall be provided ten (10) business days prior to the Effective Date and again upon renewal or replacement of coverages required by this Contract. If insurance expires during the Term, the State must receive a new COI at least thirty (30) calendar days prior to the insurance's expiration date. If the Contractor loses insurance coverage, does not renew coverage, or for any reason becomes uninsured during the Term, the Contractor shall notify the State immediately.

The COI shall be on a form approved by the Tennessee Department of Commerce and Insurance ("TDCI") and signed by an authorized representative of the insurer. The COI shall list each insurer's national association of insurance commissioners (also known as NAIC) number or federal employer identification number and list the State of Tennessee, Risk Manager, 312 Rosa L. Parks Ave., 3rd floor Central Procurement Office, Nashville, TN 37243 in the certificate holder section. At any time, the State may require the Contractor to provide a valid COI detailing coverage description; insurance company; policy number; exceptions; exclusions; policy effective date; policy expiration date; limits of liability; and the name and address of insured. The Contractor's failure to maintain or submit evidence of insurance coverage is considered a material breach of this Contract.

If the Contractor desires to self-insure, then a COI will not be required to prove coverage. In place of the COI, the Contractor must provide a certificate of self-insurance or a letter on the Contractor's letterhead detailing its coverage, liability policy amounts, and proof of funds to reasonably cover such expenses. Compliance with Tenn. Code Ann. § 50-6-405 and the rules of the TDCI is required for the Contractor to self-insure workers' compensation.

All insurance companies must be: (a) acceptable to the State; (b) authorized by the TDCI to transact business in the State of Tennessee; and (c) rated A-VII or better by A. M. Best. The Contractor shall provide the State evidence that all subcontractors maintain the required insurance or that the subcontractors are included under the Contractor's policy.

The Contractor agrees to name the State as an additional insured on any insurance policies with the exception of workers' compensation (employer liability) and professional liability (errors and omissions) ("Professional Liability") insurance. Also, all policies shall contain an endorsement for a waiver of subrogation in favor of the State.

The deductible and any premiums are the Contractor's sole responsibility. Any deductible over fifty thousand dollars (\$50,000) must be approved by the State. The Contractor agrees that the insurance requirements specified in this Section do not reduce any liability the Contractor has assumed under this Contract including any indemnification or hold harmless requirements.

The State agrees that it shall give written notice to the Contractor as soon as practicable after the State becomes aware of any claim asserted or made against the State, but in no event later than thirty (30) calendar days after the State becomes aware of such claim. The failure of the State to give notice shall only relieve the Contractor of its obligations under this Section to the extent that the Contractor can demonstrate actual prejudice arising from the failure to give notice. This Section shall not grant the Contractor or its insurer, through its attorneys, the right to represent the State in any legal matter, as the right to represent the State is governed by Tenn. Code Ann. § 8-6-106.

All coverage required shall be on a primary basis and noncontributory with any other insurance coverage or self-insurance carried by the State. The State reserves the right to amend or require additional endorsements, types of coverage, and higher or lower limits of coverage depending on the nature of the work. Purchases or contracts involving any hazardous activity or equipment, tenant, concessionaire and lease agreements, alcohol sales, cyber-liability risks, environmental risks, special motorized equipment, or property may require customized insurance requirements (e.g. umbrella liability insurance) in addition to the general requirements listed below.

The Contractor shall obtain and maintain, at a minimum, the following insurance coverages and policy limits.

a. Commercial General Liability Insurance

- 1) The Contractor shall maintain commercial general liability insurance, which shall be written on an Insurance Services Office, Inc. (also known as ISO) occurrence form (or a substitute form providing equivalent coverage) and shall cover liability arising from property damage, premises/operations, independent contractors, contractual liability, completed operations/products, personal and advertising injury, and liability assumed

	<p>under an insured contract (including the tort liability of another assumed in a business contract).</p> <p>2) The Contractor shall maintain bodily injury/property damage with a combined single limit not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate for bodily injury and property damage, including products and completed operations coverage with an aggregate limit of at least two million dollars (\$2,000,000). Umbrella liability limits may be used to satisfy the required limits of coverage.</p> <p>b. Workers' Compensation and Employer Liability Insurance</p> <p>1) For Contractors statutorily required to carry workers' compensation and employer liability insurance, the Contractor shall maintain:</p> <p>i. Workers' compensation and employer liability insurance in the amounts required by appropriate state statutes; or</p> <p>ii. In an amount not less than one million dollars (\$1,000,000) including employer liability of one million dollars (\$1,000,000) per accident for bodily injury by accident, one million dollars (\$1,000,000) policy limit by disease, and one million dollars (\$1,000,000) per employee for bodily injury by disease. Umbrella liability limits may be used to satisfy the required limits of coverage.</p> <p>2) If the Contractor certifies that it is exempt from the requirements of Tenn. Code Ann. §§ 50-6-101 – 103, then the Contractor shall furnish written proof of such exemption for one or more of the following reasons:</p> <p>i. The Contractor employees fewer than five (5) employees;</p> <p>ii. The Contractor is a sole proprietor;</p> <p>iii. The Contractor is in the construction business or trades with no employees;</p> <p>iv. The Contractor is in the coal mining industry with no employees;</p> <p>v. The Contractor is a state or local government; or</p> <p>vi. The Contractor self-insures its workers' compensation and is in compliance with the TDCI rules and Tenn. Code Ann. § 50-6-405.</p>
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	<p>c. Automobile Liability Insurance</p> <ol style="list-style-type: none"> 1) The Contractor shall maintain automobile liability insurance which shall cover liability arising out of any automobile (including owned, leased, hired, and non-owned automobiles). 2) The Contractor shall maintain bodily injury/property damage with a limit not less than one million dollars (\$1,000,000) per occurrence or combined single limit.). Umbrella liability limits may be used to satisfy the required limits of coverage. <p>d. Professional Liability Insurance</p> <ol style="list-style-type: none"> 1) Professional liability insurance shall be written on an occurrence basis. This coverage may be written on a claims-made basis but must include an extended reporting period or "tail coverage" of at least two (2) years after the Term; 2) Any professional liability insurance policy shall have a limit not less than one million dollars (\$1,000,000) per claim and two million dollars (\$2,000,000) in the aggregate (Umbrella liability limits may be used to satisfy the required limits of coverage); and 3) If the Contract involves the provision of services by medical professionals, a policy limit not less than two million (\$2,000,000) per claim and three million dollars (\$3,000,000) in the aggregate for medical malpractice insurance. <p>e. Errors and Omission Coverage</p> <ol style="list-style-type: none"> 1) with a limit of not less than one million dollars (\$1,000,000) per claim and two million dollars (\$2,000,000) aggregate.
<p>9. Justification</p>	<p>The changes approved by the State and contained within the already executed contract between the Department of Treasury and Strategic Investment Solutions, Inc. clarify the relationship between the State and the Contractor and are not harmful to the State. The change to Section A.13. accurately reflects the relationship between the State and the Contractor, which is a consultant-client relationship. Because the Contractor functions as an investment consultant for the Department, the Contractor provides advice to the Department based on the information provided by the Department to the Contractor. Accordingly, the accuracy of the information provided by the State to the Contractor is an important part of a successful consultant relationship.</p> <p>The "acknowledgement" language added to Section E in the contract also accurately reflects the nature of the consultant relationship between the Department and the Contractor. Because the Contractor serves in an investment consulting role, it relies on the information</p>

provided to it not only by the State, but also from outside investment managers. Based on the information provided to it, the Contractor will advise the State about how the State's funds are performing, how external managers are performing and whether, based on its analysis, an investment strategy should be altered.

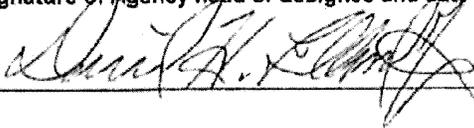
The change to Section D.7. in the Contract adding the language "which consent shall not be unreasonably withheld or delayed" as it relates to assignment and subcontracting is a minimal and nonsubstantive change that is not contrary to the best interest of the State.

The change to Section D.13. in the Contract removing the language "requested" and adding the language "mutually agreed upon by the parties" as it relates to progress reports from the Contractor is a minimal and nonsubstantive change that is not contrary to the best interest of the State. Additionally, it is reflective of the current relationship between the State and the Contractor. Currently, the Contractor (that has been the Contractor for the State from at least 2010) provides reports to the State at times mutually agreed upon by the parties. Because this practice has worked successfully in the past, the State was agreeable to memorializing this practice in the Contract.

The change to Section D.15. in the Contract accurately reflects the consultant relationship between the State and the Contractor. As the State's consultant, the Contractor is not required to manage or direct the invest any of the State's assets. The Contractor is only obligated to review the investment and management of the State's assets to determine if the State's investment philosophy and course of action is advisable and beneficial for the State. The change to Section D.15. in the Contract clarify the State/Contractor relationship and is not contrary to the best interest of the State.

The changes to Section D.31. in the Contract indicating that the required insurance coverages may be provided by the Contractor through umbrella liability limits is a minimal and nonsubstantive change that is not contrary to the best interest of the State.

Signature of Agency head or designee and date

 February 25, 2016

Approved for signature by CA 2124110

Rule Exception Request

Route completed request, as one file in PDF format, via e-mail attachment sent to: Aspsrs.Aspsrs@tn.gov

APPROVED
 Digitally signed by Kevin C. Bartels for Michael F. Perry
 DN: cn=Kevin C. Bartels for Michael F. Perry, o=CPO, ou, email=Kevin.C.Bartels@tn.gov, c=US
 Date: 2015.06.29 15:14:48.0000

CHIEF PROCUREMENT OFFICER
 (Required for all Rule Exception Requests)

APPROVED

Justin W. [Signature] 6/30/2015

COMPTROLLER OF THE TREASURY
 (ONLY for applicable statutorily required approvals e.g., records, annual report and audit, or monitoring provisions)

Request Tracking #	30901-28815
1. Contract #	Various Contracts
2. Goods or Services Caption	Computer software maintenance services, including services procured by the Tennessee Treasury Department ("Department") under any other professional services contracts
3. Contractor	Varied
4. Contract Period (with ALL options to extend exercised)	60 months, or such other contract period that is approved for other Department contracts
5. Contract Maximum Liability (with ALL options to extend exercised)	N/A
6. Rule(s) (for which the exception is requested) Please include citation and written explanation of Rule(s) to be accepted.	Rule 0590-03-01- 17, which states in pertinent part that "(t)he form and content of all contract clauses shall be established by Central Procurement Office Policy" Further, the FA Contract Templates state that "(a)n approved Rule Exception Request is required to add any Section E terms that are not among the options" listed in the FA Contract Templates.
7. Explanation of Rule Exception Requested	The Department desires a rule exception to add the following provision to the Section E terms to this and any other contract the Department procures: <u>Applicable Gifts and Solicitations Policy</u> . The Contractor shall not offer to give, or give, any gift to any employee of the State or to any member of a Board, Commission or Committee administratively attached to the State that would violate the State's Gifts and Solicitations Policy, included as Attachment 2 to this Contract.
8. Justification	The Department has a formal "Gifts and Solicitations Policy" that prohibits Department employees and members of any board, commission or committee administratively attached to the Department from soliciting, accepting or agreeing to accept, directly or indirectly, on behalf of themselves or their immediate family, any gift in violation of state law from any individual or entity that has, or is seeking to obtain, contractual or other business or financial relations with the Department. By including the provision described in Item 7 above in the Department's contracts, the contractors will be on notice of the Department's policy and will be contractually bound from offering to give or giving a gift to an employee or board member in violation of the policy.
Agency Head Signature and Date (contracting agency head or authorized signatory)	
<i>[Signature]</i> DAVID H. LILLARD, JR.	JUNE 18, 2015 DATE

Approved for signature by CM 6/3/15



CONTRACT AMENDMENT COVER SHEET

Agency Tracking # 30901-28316	Edison ID 48445	Contract # 30901-28316	Amendment # 1
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Contractor Legal Entity Name Verus Advisory, Inc.	Edison Vendor ID 197487 70065
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Amendment Purpose & Effect(s)
 Consulting Services relative to Programs attached to the Department of Treasury, which include the following: Tennessee Consolidated Retirement System, Charis of Excellence Endowment Trust, Baccalaureate Education System Trust, State Pooled Investment Fund and the Optional Retirement Program.

Amendment Changes Contract End Date: <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	End Date: November 30, 2020
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TOTAL Contract Amount INCREASE or DECREASE per this Amendment (zero if N/A): \$ 0

Funding —					
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2016				\$255,250	\$255,250
2017				\$510,500	\$510,500
2018				\$510,500	\$510,500
2019				\$510,500	\$510,500
2020				\$510,500	\$510,500
2021				\$255,250	\$255,250
TOTAL:				\$2,552,500	\$2,552,500

American Recovery and Reinvestment Act (ARRA) Funding: <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
--

<p>Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.</p> <p style="font-size: 1.5em; font-family: cursive;"><i>Kary Hartley</i></p>	<p>CPO USE</p>
--	----------------

Speed Chart (optional)	Account Code (optional)
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AMENDMENT 1
OF CONTRACT 30901-28316

This Amendment is made and entered by and between the State of Tennessee, Treasury Department, hereinafter referred to as the "State" and Strategic Investment Solutions, Inc., hereinafter referred to as the "Contractor." For good and valuable consideration, the sufficiency of which is hereby acknowledged, it is mutually understood and agreed by and between said, undersigned contracting parties that the subject contract is hereby amended as follows:

The following is added as Contract section E. 10.:

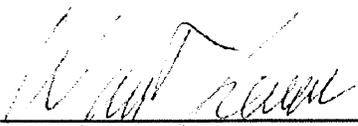
E.10. Contractor Name. All references to "Strategic Investment Solutions, Inc." shall be deleted and replaced with "Verus Advisory, Inc."

Required Approvals. The State is not bound by this Amendment until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).

Amendment Effective Date. The revisions set forth herein shall be effective June 1, 2016. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

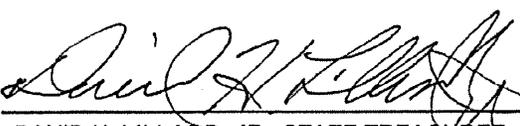
VERUS ADVISORY, INC.:

 _____
SIGNATURE DATE

Warren Spencer, Chief Legal Officer, CCO

PRINTED NAME AND TITLE OF SIGNATORY (above)

TREASURY DEPARTMENT:

 _____
DAVID H. LILLARD, JR., STATE TREASURER DATE

Approved for signature by CHS/15/16



CONTRACT AMENDMENT COVER SHEET

Agency Tracking # 30901-28316	Edison ID 48445	Contract # 48445	Amendment # 02		
Contractor Legal Entity Name Verus Advisory, Inc.			Edison Vendor ID 70965		
Amendment Purpose & Effect(s) Investment advisory services and quarterly performance reporting for the State's 403(b) plans and for the State's post-employment benefits trust.					
Amendment Changes Contract End Date: <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		End Date: November 30, 2020			
TOTAL Contract Amount INCREASE or DECREASE per this Amendment (zero if N/A):			\$ zero		
Funding —					
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2016				\$255,250	\$255,250
2017				\$510,500	\$510,500
2018				\$510,500	\$510,500
2019				\$510,500	\$510,500
2020				\$510,500	\$510,500
2021				\$255,250	\$255,250
TOTAL:				\$2,552,500	\$2,552,500
Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.				<i>CPO USE</i>	
Speed Chart (optional)		Account Code (optional)			

**AMENDMENT 2
OF CONTRACT 48445**

This Amendment is made and entered by and between the State of Tennessee, Treasury Department, hereinafter referred to as the "State" and Verus Advisory, Inc., hereinafter referred to as the "Contractor." For good and valuable consideration, the sufficiency of which is hereby acknowledged, it is mutually understood and agreed by and between said, undersigned contracting parties that the subject contract is hereby amended as follows:

1. Contract Section A.4 is deleted in its entirety and replaced with the following:

A.4. Performance Measurement and Portfolio Analytics. The Contractor shall provide monthly and quarterly performance measurement reports on the investment performance of the Programs, except for the SPIF, in the manner and within the time frames described in the Contractor's Proposal. The reports shall identify whether the Programs' investment portfolios are within the authorized asset ranges, whether performance is consistent with the investment objectives and policies of the Programs, and whether the investment managers are performing consistently within applicable standards. The reports shall also include the following analysis and shall contain such other information as is agreed upon by both parties from time to time:

- (i) Measurement of rates of return earned on the various segments of the Programs' portfolios in accordance with the methodology recommended by the CFAI; and
- (ii) Comparison of the respective Program's investment performance against other tax-free funds. The Contractor shall further provide a separate comparison of each Program against public management funds and a separate comparison against funds having the same investment characteristics as the Program being evaluated.

At the State's request, the Contractor shall perform the services set forth in this Section A.4 for any additional investment programs that may be administered by the State.

2. The following is added as Contract Section A.23:

A.23. Investment Vehicles' Performance Review for 403(b) Plans.

- a. Quarterly Performance Evaluation. On a quarterly basis, commencing with the quarter ended September 2019 or such later quarter as the State may direct, the Contractor shall evaluate for the preceding quarterly period the performance of the investment products offered to participants in the University of Tennessee 403(b) Retirement Plan and the Tennessee Board of Regents 403(b) Retirement Plan, hereinafter collectively referred to as "the 403(b) Plans", excluding the Ameriprise product, with an emphasis on the underperforming investment products. The Contractor shall reduce its evaluation findings into a written performance evaluation report and provide the report to the State by no later than forty-five (45) calendar days after the end of the respective quarter.
- b. Analysis of Additional Investment Vehicles. At the State's request, the Contractor shall provide a written analysis of any additional investment vehicles the State is considering for the 403(b) Plans. The analysis shall entail the objective evaluation of the investment vehicles using risk-adjusted returns, total returns, expenses, style consistency and manager tenure.
- c. Meetings. The Contractor shall be available at least twice a year to meet with appropriate State personnel, committees and trustees at the State's facilities in Nashville to explain the above reports and analysis.
- d. Disclosures of Indirect and Direct Interests. The Contractor shall promptly advise the State of any direct or indirect interest it may have in any investment product the State may offer to participants in the 403(b) Plans. "Direct interest" means any contract with the Contractor itself or with any business in which the Contractor is the sole

proprietor, a partner, or the entity having the controlling interest, i.e., largest number of outstanding shares owned by any single individual or corporation. "Indirect interest" means any contract in which the Contractor is interested but not directly so.

3. The following is added as Contract Section A.24:

A.24. Performance Review of Other Post-Employment Benefits Investment Trusts.

- a. Quarterly Performance Evaluation. On a quarterly basis, commencing with the quarter ended September 2019 or such later quarter as the State may direct, the Contractor shall evaluate for the preceding quarterly period the investment performance of the Other Post-Employment Benefits Investment Trusts created pursuant to Tennessee Code Annotated, Section 8-27-802 (OPEB Trusts). The Contractor shall reduce its evaluation findings into a written performance evaluation report and provide the report to the State by no later than forty-five (45) calendar days after the end of the respective quarter. The report shall identify whether the OPEB Trusts' investment portfolios are within the authorized asset ranges, whether performance is consistent with the investment objectives and policies of the OPEB Trusts, and whether the investment managers are performing consistently within applicable standards, all as set forth in the OPEB Trusts' investment policy, which is attached hereto as Contract Attachment C. The State may, at its sole discretion, revise Contract Attachment C from time to time by providing the Contractor a written copy of the revisions. The report shall also include the measurement of rates of return earned on the various segments of the OPEB Trusts' portfolios in accordance with the methodology recommended by the CFAI and shall contain such other information as is agreed upon by both parties from time to time.
- b. Meetings. The Contractor shall be available at least twice a year to meet with appropriate State personnel, committees and trustees at the State's facilities in Nashville to explain the above reports and analysis.
- c. Disclosures of Indirect and Direct Interests. The Contractor shall promptly advise the State of any direct or indirect interest it may have in any product the OPEB Trusts may invest in pursuant to this Contract. "Direct interest" means any contract with the Contractor itself or with any business in which the Contractor is the sole proprietor, a partner, or the entity having the controlling interest, i.e., largest number of outstanding shares owned by any single individual or corporation. "Indirect interest" means any contract in which the Contractor is interested but not directly so.

4. The following is added as Contract Section C.3.b(6):

(6) The Contractor shall be compensated for the services described in Section A.23 as follows:

- (A) For services rendered with respect to the investment products offered to participants in the University of Tennessee 403(b) Retirement Plan:
 - i. \$17,500 for services rendered for any calendar quarter in which the number of such investment products equaled more than 200, but less than 287;
 - ii. \$12,500 for services rendered for any calendar quarter in which the number of such investment products equaled more than 150, but less than 201;
 - iii. \$10,000 for services rendered for any calendar quarter in which the number of such investment products equaled 150 or less.
- (B) For the services rendered with respect to the investment products offered to participants in the Tennessee Board of Regents 403(b) Retirement Plan, \$7,500 per calendar quarter provided the number of such investment products equals 100 or less.

5. The following is added as Contract Section C.3.b(7):

(7) For services rendered as described in Section A.24, the Contractor shall be compensated \$1,875 per calendar quarter.

6. The following is added as Contract Section D.32:

D.32. Iran Divestment Act. The requirements of Tenn. Code Ann. § 12-12-101, *et seq.*, addressing contracting with persons as defined at Tenn. Code Ann. §12-12-103(5) that engage in investment activities in Iran, shall be a material provision of this Contract. The Contractor certifies, under penalty of perjury, that to the best of its knowledge and belief that it is not on the list created pursuant to Tenn. Code Ann. § 12-12-106.

Required Approvals. The State is not bound by this Amendment until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).

Amendment Effective Date. The revisions set forth herein shall be effective September 6, 2019. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

VERUS ADVISORY, INC.:

SIGNATURE

DATE

PRINTED NAME AND TITLE OF SIGNATORY (above)

DEPARTMENT OF TREASURY:

DAVID H. LILLARD, JR., STATE TREASURER

DATE

**THE STATE OF TENNESSEE
POST-RETIREMENT BENEFITS TRUST FUND**

INVESTMENT POLICY

Effective: November 2, 2018

=====
Investment Policy Original Adopted: November 2, 2018

Table of Contents

I.	Overview and Authority.....	3
A.	Introduction	3
B.	Authority.....	3
C.	Fiduciary Standard	3
D.	Compliance with the Law	3
E.	Scope.....	4
II.	Objective.....	4
III.	Roles and Responsibilities	4
A.	Trustees.....	4
B.	State Treasurer.....	5
C.	Chief Investment Officer	5
D.	Investment Division Staff	6
IV.	Governing Principles	6
A.	Primary Investment Objective and Risk Tolerance	6
B.	Asset Allocation and Benchmarks	7
C.	Percentage Limitations.....	8
D.	Co-Invest with Other Funds.....	8
V.	Investment Criteria	8
A.	General	8
B.	Non-Investment Grade Fixed Income Securities	Error! Bookmark not defined.
VI.	Transition Mandate.....	9
VII.	Custodian and Service Providers	9
VIII.	Investment Monitoring and Reporting.....	9
IX.	Administrative Fee	9
X.	Policy Interpretation	9
XI.	Policy Adoption	10

I. Overview and Authority

A. Introduction

The State of Tennessee Post-Employment Benefits Trust Fund ("Trust Fund") was established to receive contributions for the purpose of providing certain post-employment benefits other than pension and to make distributions from the Trust Fund for certain post-employment benefits other than pension in accordance with the State of Tennessee Post-Employment Benefits Trust Declaration.

B. Authority

The investments of the Trust Fund shall be governed by the investment policies ("Investment Policy") adopted by the Trustees. The State Treasurer, a constitutional officer, is responsible for the investment and reinvestment of the Trust Fund's assets.

Implementation of the Investment Policy established by the Trustees is hereby delegated to the State Treasurer who shall put such policy into effect. In implementing this Investment Policy, the State Treasurer hereby delegates certain responsibilities, including the power to invest and reinvest the Trust Fund's assets within the criteria established within this Investment Policy, to the State of Tennessee, Treasury Department's Chief Investment Officer ("CIO") and Investment Division Staff. The State Treasurer shall retain oversight of the CIO and the Investment Division Staff in the performance of duties delegated under this policy.

C. Fiduciary Standard

All assets of the Trust Fund shall be invested and managed solely in the interest of the beneficiaries of the State of Tennessee Post-Retirement Benefits Trust in a manner that is consistent with T.C.A. §35-14-107, the prudent investor rule pursuant to T.C.A. §35-14-103, the standard of care pursuant to T.C.A. §35-14-104 and the exercise of reasonable care in delegation of investment and management functions pursuant to T.C.A. §35-14-111. Notwithstanding the foregoing, the assets of the Trust Fund shall be invested subject to the criteria further established by the Trustees in the Investment Policy, as may be amended from time to time.

D. Compliance with the Law

The Trustees, Investment Division Staff and investment-related service providers are required to comply with all applicable federal and state laws, rules and regulations. The Investment Policy may reference or restate applicable laws, rules and regulations, or portions thereof, for convenience; however, in the event of any conflict, the following items shall govern in order of precedence as listed: i) laws, rules and regulations, ii) Investment Policy, and iv) other policies

or procedures. Each fiduciary to the Trust Fund is ultimately responsible for compliance with applicable laws, rules and regulations.

E. Scope

The Investment Policy is binding on all persons and entities with authority over the Trust Fund's assets, including the Trustees, Investment Division Staff and investment-related service providers, as well as any other person who or entity that may have a fiduciary relationship with the Trust Fund.

II. Objective

The purpose of this Investment Policy is to support the Trust Fund's primary objective by:

- Outlining the distinct roles and responsibilities of the Trustees, Investment Division Staff and investment-related service providers;
- Establishing formalized benchmarks to measure and evaluate the performance results of the Trust Fund;
- Setting forth the additional investment criteria, which the Trustees judges to be prudent, in consideration of the purposes, terms, distribution requirements and other circumstances of the Trust Fund, and in the best interest of the beneficiaries;
- Communicating the Investment Policy, as approved by the Trustees, to the Investment Division Staff, investment-related service providers and any other person who or entity that may have a fiduciary relationship with the Trust Fund; and
- Functioning as a supervisory tool, guiding the ongoing oversight of the Trust Fund.

III. Roles and Responsibilities

In addition to the responsibilities described below and throughout the Investment Policy, investment-related service providers, as well as any other person who or entity that may have a fiduciary relationship with the Trust Fund, may have additional duties and responsibilities outlined within federal and state laws, rules and regulations, executed contracts or agreements, or as dictated by standard business or industry practices.

A. Trustees

- 1) Operate with a duty of undivided loyalty;
- 2) Adopt an Investment Policy which establishes the additional investment criteria, which the Trustees judges to be prudent, in consideration of the purposes, terms, distribution requirements and other circumstances of the Trust Fund, and in the best interest of the beneficiaries;
- 3) Delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances;

- 4) Review and, if applicable, authorize the use of investment-related service providers or the processes employed by Investment Division Staff;
- 5) Evaluate the investment performance of the Trust Fund, through reports supplied by the State Treasurer, Investment Division Staff and service providers; and
- 6) Monitor the Trust Fund's compliance with this Investment Policy and applicable federal and state laws, rules and regulations.

B. State Treasurer

- 1) Implement the Investment Policy, as approved by the Trustees;
- 2) Subject to retained oversight of the functions performed, delegate investment and management functions that a prudent trustee of comparable skills would properly delegate under the circumstances;
- 3) Review and, as applicable, authorize the use of investment-related service providers and the employment of Investment Division Staff;
- 4) Evaluate and, as applicable, approve the processes employed and procedures established by Investment Division Staff; and
- 5) With the advice of legal counsel, negotiate and execute all contracts, agreements and memorandums of understanding in accordance with applicable procurement policies and law.
- 6) Notify the Trustees of situations that merit their attention.

C. Chief Investment Officer

- 1) Assume executive responsibility and authority, as delegated by the State Treasurer, for the ongoing evaluation and management of the Trust Fund, ensuring compliance with the Investment Policy, as approved by the Trustees, and such other policies, procedures, laws, rules and regulations that may apply;
- 2) Undertake the necessary authority to effectively manage and supervise the Investment Division Staff;
- 3) Delegate investment and management functions that a prudent trustee of comparable skills would properly delegate under the circumstances;
- 4) Report to and, as necessary or upon request, consult with the State Treasurer and Assistant Treasurer of Investments and Deferred Compensation on administrative, organizational and investment activities;
- 5) Collaborate with Investment Division Staff and, as applicable, investment-related service providers on development and implementation of appropriate investment strategies;
- 6) Prepare and submit reports, as required, to document investment activities;

- 7) Take prudent actions that are deemed essential to protect the principal of the Trust Fund with any emergency actions being promptly reported to the State Treasurer; and
- 8) Notify the State Treasurer of situations that merit his attention.

D. Investment Division Staff

- 1) Assume fiduciary responsibility and authority, as delegated by the State Treasurer and CIO, for the Investment Division Staff member's role in the ongoing evaluation and management of the Trust Fund's assets;
- 2) Use his/her/their individual special skills and expertise in an effort to accomplish the primary objective of the Trust Fund, as stated in the Investment Policy, as approved by the Trustees;
- 3) Ensure compliance with the Investment Policy, as approved by the Trustees, and such other policies, procedures, laws, rules and regulations that may apply;
- 4) Assist the State Treasurer, Assistant Treasurer of Investments and Deferred Compensation and/or CIO with respect to any matters related to the Trust Fund's assets;
- 5) Prepare and submit reports, as required, to document investment activities; and
- 6) Notify the State Treasurer of situations that merit his attention.

IV. Governing Principles

The Trustees have adopted a set of governing principles for the oversight of the Trust Fund's assets. Those principles are as follows:

A. Primary Investment Objective and Risk Tolerance

The primary investment objective of the Trust Fund is to establish a stable, diversified investment portfolio that, in the long-term, will meet or exceed the assumed actuarial rate of return in order to provide sufficient liquidity to pay beneficiaries' post-employment benefits in a timely manner.

B. Asset Allocation Ranges, Targets and Benchmarks

Based on input from the CIO and Investment Division Staff, the Trustees hereby establish the following strategic asset allocation ranges:

<u>Asset Classes</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	25%	80%
Fixed Income and Short-Term Securities	20%	50%
Real Estate	0%	20%
Private Equity - Strategic Lending	0%	20%
Cash and Cash Equivalents	0%	25%

Furthermore, based on input from the CIO and Investment Division Staff, the Trustees have established the following strategic asset allocation targets and determined that investment performance for the Trust Fund portfolios will be compared with the following respective benchmark indices:

<u>Portfolio</u>	<u>Benchmark Index</u>	<u>Target</u>
Equities:		53%
Domestic	S&P 1500	33%
Canadian	S&P / TSX 60 Index	2%
International Developed Markets	MSCI EAFE Investable Market Index (IMI)	14%
Emerging Markets	MSCI Emerging Markets Index**	4%
Fixed Income and Short-Term Securities	FTSE U.S. Large Pension Fund Baseline Bond Index	25%
Publicly Traded Real Estate Investment Trusts ("REITs")	MSCI US REIT Index	10%
Private Equity - Strategic Lending	Custom Index: 50% Barclay's High Yield 2% Issuer Capped Index + 50% Credit Suisse Leveraged Loan Index	7%
Cash and Cash Equivalents	91-Day U.S. Treasury Bills	≤ 5%
	TOTAL	100%

**To facilitate proper evaluation of the Emerging Market Equity Portfolio, the benchmark index returns will be adjusted to exclude countries based on the country screening methodology developed by Investment Division Staff and approved by the CIO and State Treasurer.

C. Percentage Limitations

In determining compliance with the percentage limitations stated within this Investment Policy, the assets of the Trust Fund will be valued at fair market value. Accordingly, an investment may be made on any given day; provided that such investment does not cause any applicable limitation prescribed in this Investment Policy to be exceeded on such day.

D. Coinvestment and Transfer of Assets

The Trustees hereby empower the State Treasurer and Investment Division Staff to invest, reinvest and co-invest Trust Fund's assets with other funds held by the State Treasurer.

In the State Treasurer's sole discretion, the Trust Fund's assets may be transferred to the Group Trust. In this event, the Trust Fund's assets will be marked at fair market value in accordance with the Department of Treasury's valuation policy and the net fair market value of the Trust Fund's assets will be exchanged for units of interest in the Group Trust at current net asset value.

V. Investment Criteria

A. General

The Trustees hereby authorizes the State Treasurer and Investment Division Staff to invest and reinvest the Trust Fund's assets in the same securities or investments in which the Tennessee Consolidated Retirement System is permitted to invest. Unless otherwise stated within this Investment Policy, the Trust Fund's assets shall be invested and reinvested subject to all the terms, conditions, limitations and restrictions imposed upon the Tennessee Consolidated Retirement System in the making and disposing of its investments.

B. Real Estate and Private Equity – Strategic Lending Asset Allocations

For the avoidance of doubt, the State Treasurer and Investment Division Staff may implement passive or active, internal strategies using publicly traded securities, including but not limited to Real Estate Investment Trusts ("REITs") and non-investment grade, fixed income securities, in order to gain exposure to the real estate and private equity-strategic lending asset classes.

Recommendations for the acquisition and disposition of real estate or private equity-strategic lending commitments, transactions or investments (involving non-publicly traded securities) shall be presented by the Investment Staff to the State Treasurer for consideration and, if approved, reported to the Trustees at their next meeting.

VI. Transition Mandate

It is anticipated that the Trust Fund will undergo an initial funding phase comprised of several transfers or deposits of cash. Given the timing and nature of the initial funding phase, the Trustees recognize that the Trust Fund's portfolio will be in a period of transition. The Trustees expect the CIO and Investment Staff to appropriately manage this transition based upon market conditions, opportunity and the funding requirements of the State of Tennessee Post-Retirement Benefits Trust in an effort to, over time, structure the Trust Fund's portfolio as contemplated within this Investment Policy. Furthermore, given the nature and length of the transition period, the Trustees recognize that it may be more appropriate during the transition period to analyze assets based upon their terminal value and not relative to a benchmark.

VII. Custodian and Service Providers

The Trust Fund's assets shall be held in a separate account at the same master custodian financial institution that is utilized by the Tennessee Consolidated Retirement System.

If determined to be in the best interest of the Trust Fund, the State Treasurer is authorized to contract for investment-related service providers for the Trust Fund.

VIII. Investment Monitoring and Reporting

The Chief Investment Officer and Investment Staff will collaborate with the Department of Treasury compliance staff to ensure efficient and effective development and administration of a compliance program that is reasonably designed to prevent, detect and, if necessary, remedy violations of the laws, rules, regulations and policies applicable to the Department of Treasury Investment Division's investment and securities activities.

The State Treasurer shall provide a quarterly investment summary report and an annual report to the Trustees.

IX. Administrative Fee

The State Treasurer may charge an investment-related administrative fee to the Trust Fund. The fee rate (basis points) may be deducted from the Trust Fund as an investment expense. The State Treasurer shall annually report such fee to the Trustees.

X. Policy Interpretation

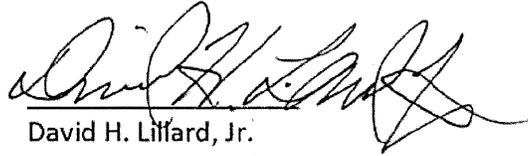
The Trustees hereby authorizes the State Treasurer to take, for and on behalf of the Trust Fund, all actions necessary to comply with applicable federal and state securities laws, rules and regulations. The State Treasurer is authorized to provide written interpretive guidance and approve in writing, from time to time, exceptions from the requirements contained within the Investment Policy in furtherance of compliance or as deemed in the best interest of the State of

Tennessee Post-Retirement Benefits Trust's beneficiaries, consistent with both fiduciary standards and the scope of the Investment Policy. Such interpretive guidance or exception shall be reported in writing to the Trustees no later than thirty (30) days after issuing such guidance or exception.

XI. Policy Adoption

The Trustees for the State of Tennessee Post-Retirement Benefits Trust adopted this Investment Policy on 11/2/18.

TRUSTEES OF THE STATE OF TENNESSEE POST-EMPLOYMENT BENEFITS TRUST



David H. Liffard, Jr.
Treasurer, State of Tennessee
Chair of the Tennessee Consolidated Retirement
System Board of Trustees

November 2, 2018

Date



Larry B. Martin
Commissioner, Tennessee Department of Finance
and Administration

10/31/18

Date



Senator Bo Watson
Chairman, Senate Finance, Ways & Means
Committee

10/28/2018

Date



Representative Charles M. Sargent, Jr.
Chairman, House Finance, Ways & Means
Committee

10/3/18

Date

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