

CAUSE NO. _____

**DALLAS POLICE & FIRE PENSION
SYSTEM,**

Plaintiff,

V.

**TOWNSEND HOLDINGS, LLC d/b/a
THE TOWNSEND GROUP, RICHARD
BROWN, MARTIN ROSENBERG and
GARY B. LAWSON,**

Defendants.

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IN THE DISTRICT COURT

OF DALLAS COUNTY, TEXAS

 JUDICIAL DISTRICT

**PLAINTIFF DALLAS POLICE & FIRE PENSION SYSTEM'S ORIGINAL PETITION
AND REQUEST FOR DISCLOSURE AND DEMAND FOR JURY TRIAL**

Pursuant to Texas Rules of Civil Procedure 39 and/or 40, Plaintiff Dallas Police & Fire Pension System (“DPFP”), files this Original Petition against Townsend Holdings, LLC d/b/a The Townsend Group (“Townsend”), Richard Brown (“Brown”), Martin Rosenberg (“Rosenberg”) and Gary B. Lawson (“Lawson”), and respectfully would show the Court as follows:

A. DISCOVERY CONTROL PLAN

1. DFPF intends to conduct discovery under Level 2 of Texas Rule of Civil Procedure 190.3.

B. NATURE OF ACTION

2. This is an action to recover damages caused by breaches of contract, breaches of fiduciary duty and professional negligence committed by DFPF's outside investment consultant (Townsend) and outside general counsel (Lawson).

3. DPFP brings this action for damages against Townsend based on Townsend's multiple breaches of contract, breaches of fiduciary duties owed to DPFP, and on Townsend's negligence in providing real estate investment consulting services to DPFP. In summary, Townsend failed to advise DPFP to diversify its investments to minimize risk of large losses, failed to assess the "value added" by investment managers under Townsend's watch, failed to disclose material information and advice to its client – the DPFP Board of Trustees (referred to as "DPFP" or the "Board"), and failed to advise DPFP regarding allocation of its assets. These actions caused DPFP to suffer losses and write-downs of nearly \$580 million – losses on assets under Townsend's oversight that should have been safeguarded for the benefit of Dallas's loyal and hardworking police officers, firefighters, and their families.

4. Despite touting itself as an expert in providing real estate investment consulting advice to public pension systems, Townsend repeatedly failed to adequately advise DPFP regarding its real estate investments. Under Townsend's supervision, DPFP's real estate portfolio was heavily over-weighted in high-risk, speculative, undiversified investments – investments of a kind not typically pursued by public pension systems. For years, Townsend allowed investment managers under its oversight to run amok, plowing DPFP funds into wildly inappropriate investments, disclaiming their statutorily-mandated fiduciary duties, and over-allocating funds towards investment in real estate. All the while, Townsend failed to assess whether these investment managers actually added value to DPFP's investments – even though it promised to do so. Moreover, at various times when Townsend possessed information that was likely to adversely affect DPFP, it failed to convey such information to the DPFP Board, in breach of its contractual and fiduciary obligations. Rather than "rock the boat" by providing unpopular advice to the DPFP Board, its client – and thereby risk losing its lucrative relationship with DPFP – Townsend chose to

quietly sit back, while the investment managers under its watch steered DPFP deeper into risky territory. In short, Townsend:

- a. Failed to act as a prudent investment consultant would act under similar circumstances;
- b. Failed to ensure diversification of DPFP's investments to minimize the risk of large losses, as required by the Texas Government Code;
- c. Failed to assess the "value added" of the investment managers under its purview;
- d. Failed to ensure that its advice was provided to DPFP's governing Board of Trustees;
- e. Failed to advise the Board that DPFP was over-invested in un-appraised real estate investments, in contravention of its investment policies; and
- f. Failed to place the interests of Dallas's police officers and firemen above its own.

5. By this suit, DPFP seeks to recover losses cause by Townsend's negligence and breaches of contract and fiduciary duties, as well as disgorgement of the fees Townsend received over the years it was supposed to – but failed to – provide the DPFP Board with timely, sound, and accurate real estate investment advice and services. DPFP also seeks to recover damages from Townsend principals Richard Brown and Martin Rosenberg for their roles in Townsend's conduct and their own actions as alleged below.

6. DPFP also brings this action against Lawson based on Lawson's breaches of fiduciary duty owed to DPFP and on Lawson's professional negligence in providing legal services to DPFP as DPFP's outside general counsel. Lawson failed to properly advise DPFP and the

members of the DPFP Board responsible for administering DPFP, particularly in connection with a variety of real estate investments that were high risk, speculative, and not typically of the type pursued by pension systems. Lawson also failed to properly advise DPFP regarding the terms of its contracts with third parties, such as outside investment management companies. Lawson breached his fiduciary duty to DPFP and failed to advise members of the Board of Trustees of DPFP that the actions they were taking (or not taking) could expose DPFP to substantial risk. DPFP also is suing its former lawyer because he lost sight of who his client was, and he failed to properly advise and protect his actual client. Such actions were negligent, breached the fiduciary duty Lawson owed to DPFP, and contributed to millions of dollars in losses by DPFP.

7. By this suit, DPFP seeks to recover losses caused by Lawson's negligence and breach of fiduciary duty.

C. PARTIES

8. Plaintiff DPFP is a public pension fund and a political subdivision of the State of Texas. DPFP performs a governmental function – enjoined on it by law and given it by the State as part of the State's sovereignty, to be exercised in the interest of the general public – namely, of providing a pension plan to police officers and firefighters of the City of Dallas. DPFP is governed by Article 6243a-1 of the Texas Revised Civil Statutes, and subject to certain provisions of the Texas Government Code, including Chapters 552 and 802. It is headquartered in Dallas County, Texas.

9. Defendant Townsend Holdings, LLC d/b/a The Townsend Group ("Townsend") is a Delaware Limited Liability Company that provided investment consulting services to DPFP in Dallas County, Texas. On information and belief, Townsend continues to do business in Texas.

Townsend's principal place of business is 1660 West Second Street, 4th Floor, Cleveland, Ohio 44113, and it can be served with process at that address.

10. On information and belief, Defendant Richard Brown ("Brown") is an individual who is a principal of Townsend and who resides and can be served with process at 7279 South Ivy Court, Centennial, Colorado 80112.

11. On information and belief, Defendant Martin Rosenberg ("Rosenberg") is an individual who is a principal of Townsend and who resides and can be served with process at 365 Morewood Parkway, Rocky River, Ohio 44116.

12. Collectively, Brown and Rosenberg will be referred to herein as the "Townsend Individual Defendants."

13. Defendant Gary B. Lawson ("Lawson"), a lawyer, is an individual doing business in Dallas County, Texas. Lawson may be served with process at his business address, 4514 Cole Avenue, Suite 600, Dallas, Texas 75205.

D. JURISDICTION AND VENUE

14. In this Original Petition, DPFP seeks monetary relief over \$1 million. The damages sought herein are within the jurisdictional limits of this court.

15. This Court has personal jurisdiction over Townsend because Townsend expressly agreed that it is subject to personal jurisdiction in Dallas County, Texas in the contracts between Townsend and DPFP. Additionally, this Court has personal jurisdiction over Townsend because it personally availed itself of the laws of the State of Texas by providing investment consultant services to DPFP in Dallas County, Texas – which services are the subject of the causes of action alleged herein.

16. This Court has specific personal jurisdiction over the Townsend Individual Defendants because they personally availed themselves of the laws of the State of Texas by providing investment consultant services to DPFP in Dallas County, Texas – which services are the subject of the causes of action alleged herein – and by traveling to Dallas County, Texas to provide those services.

17. This Court has personal jurisdiction over Lawson because he is a resident of the State of Texas, he is a lawyer licensed to practice in the State of Texas, and he otherwise has minimum contacts with the State of Texas.

18. Venue is proper in Dallas County, Texas, because Townsend agreed in its contracts with DPFP that venue “shall lie exclusively in the state or federal courts located in the City of Dallas, Dallas County, Texas.” Venue is also proper in Dallas County, Texas pursuant to Section 15.002 (a)(1) of the Texas Civil Practice and Remedies Code, because a substantial part of the events giving rise to DPFP’s claims occurred here. Additionally, venue of DPFP’s claims is appropriate in this Court pursuant to Texas Rules of Civil Procedure 39 and/or 40 and Section 15.005 of the Texas Civil Practice and Remedies Code, which provides that where venue is proper as to one defendant, it is proper for all defendants in claims or actions arising out of the same transaction, occurrence, or series of transactions or occurrences.

E. FACTUAL BACKGROUND

Townsend

19. DPFP began its ill-fated relationship with Townsend in October 2001, when the parties entered into an Investment Consultant Agreement (the “2001 ICA”). Townsend and DPFP subsequently entered into a revised Investment Consultant Agreement in October 2004 (the “2004 ICA,” a true and correct copy of which is attached hereto as **Exhibit A**). The parties renewed their

contract again in 2013 (the “2013 ICA,” a true and correct copy of which is attached hereto as **Exhibit B**). Collectively, the 2004 ICA and the 2013 ICA will be referred to as the “ICAs.” The ICAs described Townsend’s obligations as an investment consultant to DPFP. As a result of its 15-year relationship with DPFP, Townsend received over \$2.5 million in fees to perform contractual and fiduciary obligations under the ICAs.

20. Unlike most many public pension systems, DPFP – in connection with its fiduciary relationship with Townsend – invested a significant portion of its assets in a portfolio of real estate investments (the “Real Estate Portfolio”), which was under Townsend’s direct oversight. DPFP made most of its real estate investments through real estate investment managers (“IMs”), who were obligated to monitor, recommend, and actively supervise each real estate investment under their purview. As an investment consultant, Townsend oversaw both the investments in the Real Estate Portfolio and the IMs who supervised them. Pursuant to the ICAs, Townsend contractually agreed to serve as a fiduciary and investment consultant for DPFP, to act for DPFP’s benefit, and to place DPFP’s interests before its own. Townsend’s actions complained of below were taken or supervised primarily by the Townsend Individual Defendants, principals of Townsend, who served as its agents for performing Townsend’s services and fulfilling its fiduciary duties to DPFP.

21. Townsend contractually promised to evaluate and monitor each IM; assess the “value added” by IMs in their pursuit of investment strategies; monitor the characteristics of each IM’s accounts; prepare due diligence reports on real estate investments in the Real Estate Portfolio, focusing on compliance with DPFP’s policies and guidelines, real estate strategic investment plan, and practice routinely followed in the industry; monitor investment performance by individual property, IM, and asset class and compare them to established benchmarks; monitor any potential causes for disposition of property; and require IMs to report to Townsend with respect to each real

estate investment in the Portfolio. In performing its duties under the ICAs, Townsend agreed to use reasonable care and exercise independent professional judgment; exercise diligence and thoroughness in making investment recommendations; and consider the appropriateness and suitability of any investment recommendations or actions.

22. Townsend also expressly agreed to “document recommendations with qualitative and quantitative analysis of a fiduciary quality” and to “make all recommendations definitive and in writing.” Moreover, Townsend agreed that it would be held liable if it failed to notify its client, the DPFP Board, in writing, of any information suggesting an investment would likely have a material adverse effect on DPFP.

23. In addition to the fiduciary duties it voluntarily assumed under the ICAs, Townsend also assumed statutory fiduciary duties under Texas Government Code § 802.203(a). Pursuant to Texas law, Townsend was required to:

discharge its duties solely in the interest of the participants and beneficiaries:

- (1) for the exclusive purposes of:
 - (A) providing benefits to participants and their beneficiaries; and
 - (B) defraying reasonable expenses of administering the system;
- (2) with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims;
- (3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (4) in accordance with the documents and instruments governing the system to the extent that the documents and instruments are consistent with this subchapter.

Texas Government Code § 802.203(a). Townsend failed in all regards.

24. Townsend’s contractual and fiduciary duty breaches typically fell into four categories: failure to advise DPFP to diversify its investments to minimize risk of large losses, failure to assess the “value added” by each IM in its pursuit of investment strategies, failure to

disclose material information to the DPFP Board, and failure to advise DPFP regarding over-allocation of real estate investments.

25. As the result of recent discovery of the scope of losses on real estate investments under Townsend's purview, DPFP terminated Townsend as its Investment Consultant on February 12, 2016.

Failure to Advise DPFP to Diversify Investments

26. Throughout the course of its relationship with DPFP, Townsend continually failed to fulfill its statutory fiduciary duty to advise DPFP to diversify its investments to minimize large losses. Townsend's failure led to losses and write-downs for DPFP in the hundreds of millions of dollars.

27. From 2001 through 2015, Townsend provided investment performance data, by IM, to the DPFP Board in quarterly presentations. One of the various IMs over which Townsend had oversight was CDK Realty Advisors, LP ("CDK"). CDK began providing investment management services to DPFP in 2002 for a number of real estate investments under Townsend's purview. While Townsend oversaw, CDK – a four-man investment shop – quickly became the IM managing the largest percentage of DPFP's nearly \$1 billion Real Estate Portfolio.

28. In 2008, Townsend reported just how much of the entire Real Estate Portfolio CDK controlled. At that time, Townsend reported that CDK managed 32% of the Real Estate Portfolio. In reality, that number was closer to 43%, but Townsend failed to account for assets under CDK's management based on a loan program with Bank of America. In 2012, Townsend reported that CDK managed some 48% of the Real Estate Portfolio; by comparison, the IM controlling the second-largest share of the Real Estate Portfolio managed only 10%. By May 2014, Townsend reported that CDK managed 60% of DPFP's Real Estate Portfolio.

29. Not once in all the years leading up to May 2014 did Townsend recommend to the DPFP Board that it should diversify its investments among more IMs. Only *after* a DPFP Board member specifically asked to Townsend develop a plan to divest assets from CDK did Townsend finally mention to the Board – for the first time, in May 2014 – that DPFP should divest assets away from CDK. Following a search for new IMs to replace CDK, DPFP terminated CDK as the IM for several investments in March 2015. By that point, DPFP had written down or lost more than \$180 million in connection with CDK-managed investments; these write-downs and losses have since more than doubled. Had Townsend *once* recommended to the Board that it should diversify its Real Estate Portfolio by diversifying by IM, DPFP could have avoided losing millions of dollars associated with CDK-managed investments.

30. Likewise, Townsend also failed to recommend that DPFP diversify its Real Estate Portfolio by location. Townsend reported that a high percentage of real estate investments were concentrated in only a few metropolitan areas. By way of example, Townsend reported that *three* separate, significant investments were located in or around Boise, Idaho. One of these investments, the largest, Eagle (managed by CDK), remains undeveloped, even though more than ten years and tens of millions of dollars have been put into the project. The other two Boise-area investments, Nampa and Dry Creek, were managed by Land Baron Investments, Inc. (“Land Baron”), another real estate IM under Townsend’s oversight. Nampa and Dry Creek have been sold for a combined loss of some \$52 million. Land Baron’s principals declared bankruptcy and the company is no longer in operation.

31. The amount of land Townsend did not counsel DPFP against investing in near Boise, Idaho (pop. 225,000) – and the amount of money it did not counsel DPFP against expending to do so – is breathtaking.

32. Only two months after DPFP committed \$25 million to the initial Eagle investment in thousands of acres of raw land in Boise (and one month after the Board approved a separate investment in Dry Creek of \$42.8 million in other raw land near Boise), Townsend attended a Board meeting during which CDK brought DPFP an opportunity to invest an additional \$17.5 million in the Eagle project. Despite this rapid increase in cash committed to the Eagle investment (and investments in Idaho dirt, generally), Townsend did not advise against it. Again, only four months later, CDK presented DPFP with an additional investment opportunity of \$21.5 million in acreage near the original Eagle site. Brown attended the meeting, and yet he did not object to or advise against the transaction. One month later, Brown attended the Board meeting where Land Baron presented the Nampa investment to DPFP – yet more raw land around Boise. Even though several Board members raised concerns in that meeting *about the amount of land DPFP would own in Idaho*, Brown did not advise against the \$9.3 million investment. Instead, he merely commented “that it would be more difficult to sell the retail portion of the property, but that if the remainder of [the property] had already been sold, [DPFP’s] cost in it would be low.” Just another month after that, Townsend concurred with CDK’s recommendation that DPFP write up the Eagle investment, reasoning that the doubled basis – from \$6,500 per acre to \$13,000 per acre – “seems reasonable” – despite having obtained no appraisals of the property to support its conclusion.

33. In a short, seven-month span, DPFP committed some \$116 million – more than a quarter of the entire real estate portfolio – to investments in raw land near Boise. Approximately \$50 million of this amount was made with Townsend’s knowledge and apparent blessing.

34. Over the course of the next 10 years, while the properties remained undeveloped – and Townsend remained silent (except to report that DPFP was “well-diversified geographically”) – DPFP would pour additional millions into the Idaho investments, including more than \$15 million

in fees to the investment's managers. DPFP realized losses of some \$52 million from sale of Nampa and Dry Creek. Development of Eagle remains uncertain, and DPFP is not expected to recoup the majority of its unrealized losses.

35. All together, the three Boise-area investments alone were written down or written off by more than \$133 million – all while Townsend had a fiduciary duty to monitor and to advise DPFP to diversify its investments “to minimize the risk of large losses[.]” Yet this is just one of several examples; DPFP also suffered write-downs and losses on investments concentrated in Hawaii, Dallas, Texas; Phoenix, Arizona; and Napa Valley, California.

36. Townsend also failed to advise DPFP to diversify its real investments by type – e.g. apartment, office, retail, raw land. From 2007 through 2015, between 58% and 71% of DPFP's Real Estate Portfolio was invested in raw, undeveloped land – an especially risky type of real estate investment compared to other types. Even though Townsend's reports evidenced a lack of diversification, Townsend did not advise the DPFP Board it should diversify away from such incredibly risky ventures – even though Townsend had a contractual and statutory fiduciary duty to ensure diversification. Instead, Townsend bragged to the Trustees about the terrific above market returns of the DPFP real estate portfolio, advising them that the real estate portfolio was “well diversified geographically” despite 28% of the entire real estate portfolio being invested in undeveloped dirt (most of it outside of Boise) – at a time when DPFP was over-allocated in undeveloped land by 13%. The “returns” were not based on appraisals or accurate information about any of the hundreds of millions of dollars recorded as raw land investments. In reality, DPFP had overpaid and had already thrown more than \$70 million after overpriced, ill-conceived, high risk investments. While Townsend watched the Real Estate Portfolio, DPFP suffered losses and write downs of hundreds of millions of dollars in the value of its raw land investments.

37. Had Townsend fulfilled its statutory fiduciary duty to advise DPFP to diversify its investments – by manager, geographical area, or type – DPFP could have avoided some of these investments in the first place. Had DPFP been advised at any point in time later, it could have cut its losses and avoided additional fees and expenses. Because Townsend failed to advise DPFP of the need to diversify its Real Estate Portfolio – as Townsend was required to do under Section 802.203(a) of the Texas Government Code – DPFP suffered hundreds of millions of dollars of losses and write-downs from multiple, undiversified investments.

Failure to Assess “Value Added” by Investment Managers

38. In the ICAs, Townsend explicitly promised to “[a]ssess the ‘value added’ by [IMs] in their pursuit of investment strategies[.]” In other words, Townsend was asked to conduct ongoing diligence and monitoring of the IMs under its oversight by evaluating whether these IM’s services were materially helping to advance the projects or increase the value of the investments they managed. Despite its contractual obligation to do so, Townsend repeatedly failed to assess the “value added” by the real estate IMs under its watch. Services provided by CDK, Land Baron, Knudson, and Criswell Radovan – IMs under Townsend’s oversight – are instructive examples; investments managed by these four IMs were written down or written off by more than \$400 million.

39. While Townsend oversaw them, CDK and M3 Builders, LLC (“M3”) presented the Eagle and Sandstone investments to DPFP. As initially presented, the Eagle investment required a purchase of 4,950 acres of raw land in Ada County, Idaho (near the city of Boise) for \$25 million. A few months later, CDK and M3 recommended the purchase of an additional 2,400 acres of raw land in the same area for another \$17.5 million. Again, several months later, CDK advised DPFP to purchase an additional 9,500 acres in the area for \$21.5 million, based on a business plan

prepared by M3. This brought the total capital outlay for Eagle to \$64 million. According to CDK and M3, once all of the property was acquired, and the last purchased parcels were swapped with Idaho's Bureau of Land Management for other, more strategically advantageous property, DPFP's investment would have an expected rate of return of 28 to 29%. After DPFP had fully funded its \$64 million commitment and more than a year and a half after CDK and M3 Builders presented the investment to DPFP, no development had occurred, so CDK recommended that DPFP make an unsecured loan of \$15 million to Eagle to facilitate M3's development of the property. Nearly five years into the investment, development had not commenced and the planned swap of land with Idaho's Bureau of Land Management had not occurred despite M3's purported efforts. Despite the lack of development, failure of the land swap, and continued infusion of DPFP funds into the project, Townsend failed to assess whether CDK and M3 were "adding" any "value" to the Eagle project during this period.

40. Similarly, CDK and M3 recommended that DPFP invest in a 2,147-acre working ranch in Colorado known as Sandstone. The investment required DPFP to contribute capital of \$26.5 million. Part of the Sandstone development plan proposed by M3 and recommended by CDK contemplated securing a loan for up to \$15 million from an unspecified source to fund a large portion of the costs of development. This loan never materialized. Based on advice from CDK, DPFP made an unsecured loan of \$20 million related to the Sandstone property. After DPFP had made investments over a significant period and contributed at least \$46.5 million to Sandstone, CDK reported that the property was listed for sale for \$35 – 45 million, due to "the demise of the luxury home market." Despite this report, on information and belief, CDK, M3, and Townsend never advised the Board in writing that the property was potentially materially overvalued. Despite the lack of development (which Townsend saw in person when a Townsend employee visited the

property), continued infusion of DPFP funds into the project, and reported “demise of the luxury home market,” Townsend failed to assess whether CDK and M3 were “adding” any “value” to the Sandstone project during this period.

41. In 2012, the Sandstone and Eagle properties were combined under a company called Project Holdings LLC. The combination of the properties under one corporate umbrella facilitated loans being made from Sandstone to help prop up the Eagle property, unbeknownst to DPFP. Following the combination of Eagle and Sandstone under Project Holdings, CDK reported that additional capital was required to fund the projects. Based on CDK’s advice, DPFP continued to contribute to the projects and guarantee \$15 million in loans. These funds benefitted M3, being used to pay their fees and the overhead costs of their own operations, but not DPFP. Additionally, before and after DPFP loaned money to Sandstone and Eagle under Project Holdings, CDK allowed several M3-related parties to make loans to Eagle, Sandstone, and Project Holdings with higher priority and, in most cases, at higher interest rates. Such loans benefitted entities controlled by (or for the benefit of) M3 principals and their friends and family. Although Eagle, Sandstone, and Project Holdings stopped paying interest to DPFP, they used the DPFP loan proceeds to repay the M3-related loans in full with interest, giving M3-related parties preferential treatment while subordinating DPFP’s interests. While those loans were pending, Eagle, Sandstone, and Project Holdings paid out at least \$14.5 million in principal and interest to M3-related parties.

42. Although Townsend was informed of the Project Holdings combination shortly after it occurred, it again failed to assess whether CDK and M3 were adding “value” to the project. Townsend also failed to conduct any due diligence review of Project Holdings at this point, even though it knew that the Sandstone and Eagle properties had not been appraised – for years – as required by industry standards. Had Townsend done any one of these things – assessing the “value

added” by CDK and M3 (at any point), conducting due diligence on Project Holdings, or advising DPFP of the necessity for appraisals at this time (or earlier) – DPFP could have prevented millions of dollars in write-downs and carrying costs associated with the Eagle and Sandstone projects, or invested funds directed to Eagle and Sandstone into income-producing assets instead. The projects remain undeveloped, and – no thanks to Townsend – DPFP has entered new agreements with a manager in an attempt to salvage Eagle and Sandstone, the futures of which remain uncertain.

43. Even when Townsend *knew* that CDK had acted against DPFP’s interests with respect to certain investments, Townsend remained silent, refusing to assess the “value” added by CDK (or any other manager). Indeed, Townsend’s years of silence on the matter of “value added” by CDK, in particular, caused DPFP to continue to (a) invest millions of additional funds through CDK, (b) pay millions in fees to CDK and managers under it, and (c) refrain from replacing CDK until it was much too late.

44. Similarly, Townsend failed to assess the “value added” by Land Baron, the IM that brought the Nampa and Dry Creek investments (and others) to DPFP. Townsend attended the Board meeting at which Land Baron presented the Nampa investment to DPFP. Land Baron’s presentation to the DPFP Board projected an unrealistic one-year return on equity of 132% to 580% on the investment. Additionally, during the presentation attended by Townsend, Land Baron expressly disclaimed all fiduciary duties in connection with Nampa (even though the Texas Government Code imposes such duties on all investment managers to public pension systems).

45. The fiduciary duty disclaimer alone should have raised a “red flag” for Townsend. Townsend should have advised against the Nampa investment, or *at least* should have assessed the “value added” by Land Baron before DPFP made any additional investments with the IM. But Townsend did neither. In spite of Land Baron’s unrealistic return projections, its disclaimer of

fiduciary responsibilities, and concerns raised by Board members about the amount of land owned in Idaho, on information and belief, Townsend did not recommend against the Nampa investment. Townsend also failed to assess the “value added” by Land Baron *after* DPFP invested in Nampa – even when Land Baron’s principals declared bankruptcy (a fact which Townsend failed to advise the DPFP Board). DPFP later invested with Land Baron in another real estate investment under Townsend’s watch: raw land to be developed into residential housing named “Painted Hills” in Tucson, Arizona. Shortly after DPFP acquired Painted Hills, the press reported that DPFP had paid more than six times the appraised value of the land to purchase the acreage; ultimately, the project proved unfeasible when developers could not obtain water service from the City of Tucson. DPFP lost more than \$26 million in connection with its investment in Painted Hills. Had Townsend adequately advised DPFP regarding the “value added” by fiduciary duty-disclaiming, overly-optimistic Land Baron, DPFP could have avoided making the Painted Hills investment in the first place.

46. Townsend also failed to assess the “value added” by Criswell Radovan. Criswell Radovan was an IM that brought the “Napa” project – a series of related investments in Pope Valley, in the northeastern area of Napa County, California – to DPFP. The primary focal point of Napa consisted of two major development projects: Aetna Springs, a 700+ acre luxury resort and private golf club community with estate-sized lots and Lake Luciana, a 2700+ acre luxury residential community development with estate-sized lots and commercial vineyards. Townsend principal Richard Brown attended the DPFP Board meeting at which Criswell Radovan (along with Land Baron) presented the Napa project to DPFP. During the presentation, Criswell Radovan repeatedly emphasized Napa County’s prejudice against development as a benefit to the project because it presented a barrier to entry for other developers in the region. Additionally, Criswell

Radovan expressly disclaimed all fiduciary duties in connection with the Napa project (even though the Texas Government Code imposes such duties on all investment managers to public pension systems).

47. Shortly after DPFP's initial investment in Napa, the project was met with financial difficulties. Townsend reported that "initial costs for future development were too high" and that the project's development date was repeatedly pushed back. Over a year into the project, Townsend reported that developers were still "evaluating different financing options." Construction financing never was secured, and three years into the Napa project the entity created to hold the land defaulted on a bridge loan with a third-party lender. Facing foreclosure of the underlying real estate, DPFP negotiated with the lender, agreeing to pay off the \$20 million note at a small discount. Although Townsend principal Richard Brown attended the Board meeting where DPFP decided to make this additional investment into the Napa project, he failed to advise against it.

48. To date, more than 11 years after the initial investment, the majority of the Napa project has still not been developed. The proposed golf course at Lake Luciana never was constructed because Napa County authorities – displaying the "prejudice against development" Criswell Radovan claimed would be beneficial to DPFP – denied the permit for its construction. The main resort at Aetna Springs never was completed, and infrastructure construction remains necessary for the residential lots to be salable. DPFP is not expected to recoup the majority of its substantial unrealized losses from Napa.

49. Yet again, the fiduciary duty disclaimer alone should have raised a "red flag" for Townsend. Townsend should have advised the Trustees against the Napa investment, or *at least* should have assessed the "value added" by Criswell Radovan before DPFP made any additional investment into the project – especially paying off the \$20 million bridge loan. But Townsend did

neither. Instead, Brown and Townsend advised DPFP that the project “looked viable” (a) despite Criswell Radovan’s disclaimer of all fiduciary responsibilities; (b) despite knowing that the Trustees were not being given nearly enough appropriate information to make investment decisions on highly risky, raw land development projects; (c) without themselves having adequate understanding of the development risk and costs; (d) despite being informed that Napa County held a prejudice against development of the region; and (e) despite knowing that the original projections contemplated massive (unattainable) development costs of \$200 million plus, which were expected to be financed with a construction loan.

50. Nonetheless, after Townsend advised the Trustees that the initial investment of \$20 million was “viable,” it raised no concern about the investment growing by more than \$80 million over the next four years. During that time, Townsend reported on a quarterly basis regarding the investment in Napa and attended at least two Board meetings in which funding for the investment was discussed. Yet not once during this period did Townsend advise against increasing investment in Napa. Quite the opposite: Townsend recommended that DPFP consider increasing its investment in Napa in the form of a loan to the venture. Moreover, at no point did Townsend assess the “value added” by Criswell Radovan.

51. Today, the Napa development has not been realized, for the very same reason it was supposed to succeed: Napa County refused to allow the area to be developed as planned. The project had trouble even securing adequate bridge financing – much less astronomically high construction loans – and DPFP has no prospect of recovering a vast majority of the substantial losses it has suffered.

52. Townsend repeatedly failed to assess the “value added” by the real estate IMs under its watch. While the instances of each of these failures are numerous, Townsend’s failure to

assess “value added” by CDK, Land Baron and Criswell Radovan are instructive examples. During the time Townsend was contractually obligated to assess real estate IM’s “value added,” investments managed by these three IMs alone were written down by hundreds of millions of dollars.

53. Had Townsend assessed the “value added” by CDK, Land Baron, Knudson, Criswell Radovan and others, DPFP could have avoided many investments in the first place. But on information and belief, despite acting as DPFP’s real estate investment consultant for nearly 15 years, Townsend never recommended in writing to the Board against investing in the investments of which DPFP complains herein. Had DPFP been advised at any point in time later, it could have cut its losses and avoided additional fees and expenses. Because Townsend failed to assess the “value added” by the IMs under its purview – even though it was contractually obligated to do so – DPFP wrote down and incurred losses in the hundreds of millions of dollars in its Real Estate Portfolio.

Failure to Disclose Material Information to the DPFP Board

54. On information and belief, Townsend feared former DPFP Administrator Richard Tettamant. Because of this dynamic, Townsend repeatedly lost sight of who its client really was – the DPFP Board of Trustees. Instead, Townsend repeatedly failed to advise its client, for fear of speaking out and of jeopardizing its lucrative contract with and continued receipt of fees from DPFP.

55. Townsend had both a fiduciary duty to disclose information to the Board regarding investments in the Real Estate Portfolio under its oversight and a contractual duty to report, in writing to the Board, any information regarding these investments that was likely to have a material adverse effect on DPFP. Despite its 15-year relationship with DPFP, Townsend rarely, if ever,

advised the Board in writing regarding IMs' investment recommendations or competence; doing so would have upset Tettamant. Instead, Townsend opted for a more passive role – simply compiling and reporting information it collected from various IMs under its oversight.

56. For example, Townsend principal Richard Brown advised certain DPFP staff members, via email, that DPFP should not fund a request for a \$10 million capital call in a CDK-managed investment known as CityScape. CityScape is a mixed-use development located in downtown Phoenix, Arizona. The basis for Townsend's advice not to fund the capital call was that significant changes had been made to the original development plan – from condominium and hotel space to office and parking space – without new appraisals completed or a firm source of financing. Brown advised DPFP staff members that these changes “involve much greater risk to the Pension Fund.” Brown further advised that “[a]ny future funding should be approved by the Board of Trustees.”

57. Such information was clearly of the kind that was likely to have a material adverse effect on DPFP. However, Townsend and Brown did not report this to the Board – in writing, as required by its contract – or otherwise. Indeed, Townsend did not attend another Board meeting until DPFP already had sunk an additional \$23.2 million into the CityScape property. Even then, Townsend did not directly relay its advice to the Board, in violation of its contractual and fiduciary duties.

58. In other instances, Townsend would “coach” certain Board members to ask the “right” questions at Board meetings that Townsend attended – rather than openly advising the DPFP Board. In doing so, Townsend put its own interests above those of DPFP, opting to avoid “rocking the boat” (and risk losing its engagement with DPFP) instead of fully disclosing to the

Board information and advice that may have been unpopular regarding certain IMs or prior DPFP decisions.

59. Additionally, Townsend failed to advise the DPFP Board regarding a loan program that Townsend itself suggested DPFP put into place. Townsend recommended that DPFP collateralize its existing fixed-income real estate assets to obtain a more favorable interest rate than could be obtained using traditional mortgages on individual (non-collateralized) properties. Implementing this program would allow DPFP to purchase income-producing real estate assets at returns higher than the cost of the collateralized debt. Townsend knew that the purpose of this loan program was to purchase income-producing assets. Nonetheless, proceeds of the loan program were used to make speculative (non-income-producing) investments, including DPFP's investments in Eagle, Sandstone, and other raw land. Without the loan program, DPFP would not have been in a position to be involved in such risky real estate investments. Even though Townsend knew that the program was not being used for its intended purposed, it stayed quiet. Townsend should have advised the DPFP Board, in writing, to shut down the loan program or to place limitations on the use of the program's funds. But on information and belief, it did not. Instead, Townsend stood by and watched as the loan program was used to make riskier and riskier investments – and eventually led to losses and write-downs of hundreds of millions of dollars.

60. Had Townsend fulfilled its contractual duty to convey information to its client, the DPFP Board, in writing, and its fiduciary duty to disclose information and advice to the Board, DPFP could have avoided some of the investments in the first place. Had Townsend fully disclosed its information and advice to the Board at any point in time later, it could have cut its losses and avoided additional fees and expenses. Because Townsend failed to convey its advice and material

information to the DPFP Board, DPFP wrote down and incurred losses in the hundreds of millions of dollars in its Real Estate Portfolio.

61. On information and belief, Townsend and the Townsend Individual Defendants still have not fully disclosed material information to the Board regarding all of the problems, concerns and risks associated with the investments and the IMs over which they had contractual and fiduciary duties to the Board to provide oversight.

Failure to Advise DPFP Regarding Over-Investment in Real Estate

62. With Townsend's guidance, DPFP developed real estate investment procedures and guidelines, including "recommended guidelines with respect to overall portfolio structure, levels of risk, diversification, return targets, asset allocation within the amounts allocated to real estate, and property specific acquisitions and all other matters appropriate for such documents." 2004 ICA, p. 5.

63. Part of Townsend's contractual obligation included preparing due diligence reports on investments in the Real Estate Portfolio with a "focus on compliance with [DPFP's] policies and guidelines, real estate strategic investment plan and practice routinely followed in the industry[.]" Additionally, Townsend had a statutory fiduciary obligation to discharge its duties "in accordance with the documents and instruments governing [DPFP.]" Townsend repeatedly failed to fulfill these contractual and fiduciary duties in connection with its approach to real estate allocation targets.

64. Townsend reported percentages of actual and future real estate allocations in its quarterly Board presentations. Year after year, under Townsend's oversight, the actual and future allocations to real estate exceeded the target allocations. Each capital call overseen by Townsend pushed DPFP further and further past its target allocation. But year after year, Townsend failed to

advise the Board in writing that such over-allocation was problematic – or even particularly risky. Instead of pursuing a variance from the allocation policies, Townsend merely allowed DPFP’s IMs to continue plowing funds into real estate investments. Even when the actual allocation was almost double that of the target allocation, Townsend failed to advise the Board about the risk associated with surpassing the allocation targets Townsend itself had helped to develop. Instead, Townsend chose – yet again – to avoid giving its client, the Board, advice that would have put it at odds with Tettamant.

65. Moreover, throughout the period that Townsend knew DPFP’s real estate assets were over their targeted allocations, Townsend also knew that DPFP had not obtained appraisals for each of these real estate assets – in contravention of industry standards. Indeed, Townsend knew that some of these assets (such as Eagle) had been written up even though no appraisal had been performed to support the alleged increase in value. And Townsend also knew that investments managed by CDK, Land Baron, Knudson, and Criswell Radovan were not subject to audit (again, in spite of industry standards). Townsend failed to advise the Board that it should obtain appraisals for its real estate investments because it feared crossing Tettamant. Since Townsend had no idea what the fair market value of the real estate assets were, it was impossible for it to provide advice about whether DPFP should sell, hold, or continue to invest in these assets. Quite simply, under such conditions Townsend *could not* advise the Board about whether increasing investments in the Real Estate Portfolio made financial sense.

66. Had Townsend fulfilled its contractual and statutory duties to act in accordance with DPFP’s investment guidelines by advising the Board to invest within the allocation guidelines, DPFP could have avoided some investments in the first place. Had Townsend so advised the Board at any point in time later, it could have cut its losses and avoided additional fees and

expenses. Because Townsend failed to advise the Board regarding the real estate allocations, DPFP wrote down and incurred losses in the hundreds of millions of dollars in its Real Estate Portfolio.

67. The Townsend Individual Defendants caused Townsend to take the actions described above, in breach of Townsend's fiduciary duties to DPFP and the Townsend Individual Defendants' own fiduciary duties as principals and/or agents of a corporate fiduciary, and/or as a result of their own negligence.

Lawson

68. At all times relevant to this case (at least until he resigned), Lawson represented DPFP as its outside general counsel (*i.e.*, its primary external lawyer). The scope of Lawson's role as outside counsel to DPFP was very broad and not limited to discrete tasks, matters or issues. Upon information and belief, at most relevant times Lawson did not have any engagement letter with DPFP circumscribing his duties in any way.

69. As a retained lawyer for DPFP, as a matter of law Lawson owed a fiduciary duty to DPFP, meaning that Lawson had a duty to act toward DPFP in the utmost good faith, with absolute candor, with openness and honesty and without any concealment or deception. As Lawson recognized, a fiduciary duty is among the highest duties imposed by law.

70. As a retained lawyer for DPFP, as a matter of law Lawson also had a duty to perform work for, and to provide legal advice to, DPFP and the Trustees exercising the standard of care and skill ordinarily exercised by a reasonable and prudent lawyer. Any failure by Lawson to exercise such care and skill would constitute negligence.

71. As a retained lawyer for DPFP, as a matter of law Lawson also had a duty to take remedial measures whenever he learned or had reason to know that: (i) any representative of DPFP (for example, Tettamant or other DPFP employees) had committed or intended to commit a

violation of a legal obligation to DPFP or a violation of law which reasonably might be imputed to DPFP or otherwise had taken actions likely to injure DPFP; (ii) the violation was likely to result in substantial injury to DPFP; and (iii) the violation was related to a matter within the scope of Lawson's representation of DPFP. Such remedial measures included directly informing and advising a higher authority within DPFP—namely, the Trustees—of any such violation.

The Fiduciary Duties of the DPFP Trustees

72. Lawson knew or should have known that the Trustees owed fiduciary duties to DPFP and to the participants and beneficiaries of DPFP. Among the duties of the Trustees were:

- to administer DPFP;
- to hold the assets of DPFP for the exclusive purpose of providing benefits to participants and beneficiaries and defraying reasonable expenses of administering DPFP;
- to act prudently and in the interest of the participants and beneficiaries of DPFP when choosing and contracting for professional investment management services and in continuing the use of an investment manager;
- to select legal counsel and an actuary and adopt sound actuarial assumptions to be used by DPFP;
- to act with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims;
- to act *in accordance with the documents and instruments governing DPFP*;
- to not participate in or conceal knowingly a breach of fiduciary duty by a co-fiduciary of DPFP;
- to make a reasonable attempt or effort to correct a breach of fiduciary duty by a co-fiduciary of DPFP of which the Trustee becomes aware;
- to reassume a delegated fiduciary duty (*e.g.*, investment duties delegated to an appointed investment manager) when it becomes apparent to the Trustee that the party responsible for performing the duty has breached its obligation;

- to keep data necessary for an actuarial valuation and to cause such valuation to be made once every three years;
- to keep accurate minutes of all its proceedings;
- to submit an annual audit showing the fiscal transactions of DPFP and to publish an annual report; and
- to develop and file with Texas State Pension Review Board a written investment policy.

73. Lawson knew or should have known that the Trustees could breach their fiduciary duties to DPFP and to the participants and beneficiaries of DPFP by (among other things): (i) failing to make sure that an effective due diligence process was followed when making investments; (ii) failing to understand the investments; (iii) approving poorly written contracts (*e.g.*, without appropriate terms protective to DPFP) with investment advisors and managers, actuaries, accountants and the like; (iv) paying unreasonable fees; (v) failing to comply with documents that control DPFP; and (vi) approving risky real estate transactions in a manner that effectively shielded such transactions from scrutiny by Dallas taxpayers, City officials, and the police and fire fighters who were contributing their hard-earned savings into DPFP. Lawson also should have known that one of the reasons DPFP hired him was to provide the Trustees with sufficient advice to prevent such breaches from occurring.

74. Lawson knew or should have known that the Trustees should carefully and continually review what asset classes were consistent with DPFP's governing portfolio guidelines and objectives, how much to invest in each class, and with which managers to invest. Lawson knew or should have known that the Trustees were required to diversify DPFP's investments to protect DPFP from even the *risk* of substantial loss, as any such loss could be devastating to Dallas' police and firefighters, and potentially to the City of Dallas and all of its residents.

Lawson Failed to Adequately Advise Regarding the Investment Policies and the Asset Allocation

75. Among the governing documents of DPFP were the Strategic Investment Policy (the core statement of DPFP's internal investment policy) and the Investment Implementation Policy (a related internal investment policy that gives more specificity on the asset allocation targets for DPFP's investments) (collectively, the "Investment Policies"). The Investment Policies expressly provided for allocation of DPFP's investment funds to certain asset classes, within certain target ranges. The purpose for the asset allocation procedure was to promote diversification of DPFP's investments and to minimize the risk of substantial loss of investment funds by preventing too many of the funds from being invested in any particular type of investment.

76. Notwithstanding that the Investment Policies were in place to protect DPFP's funds for the benefit of its participants and beneficiaries—specifically, Dallas' police officers and firefighters and their families—DPFP deviated egregiously from this established asset allocation procedure. By way of example, between 2007 and 2014 DPFP's target for the percentage of its investments in real estate ranged from 15% to 20%, with a permitted deviation of plus or minus 2%. Despite these requirements, during the six-year period from April 2008 to April 2014, DPFP consistently held real estate investments in excess of not only the target percentage, but also the 2% permitted deviation above the target percentage. For more than four of those years (September 2008 to January 2013), DPFP held real estate investments exceeding the target percentage by over 5%—a clear and consistent violation of the Investment Policies. Shockingly, during some periods in 2008 and 2009, DPFP's percentage investment in real estate ranged between 28% and 33%—essentially twice what the governing documents permitted. Because DPFP's real estate investments consistently exceeded the target percentages by impermissible amounts, every incremental dollar

contributed to real estate investments during these periods constituted a continuing violation of the Investment Policies.

77. While serving as DPFP's primary outside counsel, Lawson certainly should have been aware that DPFP management was continually violating the Investment Policies. Lawson attended virtually every regular monthly meeting of the DPFP Board (which often included meetings of the DPFP Investment Advisory Committee, the DPFP Administrative Advisory Committee and the DPFP Actuarial Funding Committee). Lawson also attended special meetings of the Board and annual Board workshops. Upon information and belief, Lawson was involved in most of the Townsend transactions discussed above (and/or Lawson attended DPFP Board meetings at which such transactions were discussed). On some days, Lawson would bill anywhere from three to nine hours of time for attending these meetings. Between May 2008 and December 2015, Lawson (whose hourly rate increased from \$400 to \$525 during this period) spent over *1,000 hours* attending DPFP meetings.

78. At these meetings, the Board received a "monthly asset allocation report and recommendations for rebalancing the . . . investment portfolio." Yet nowhere in the minutes of these meetings is there any record that Lawson ever advised the Trustees that holding real estate investments in percentages significantly exceeding those required by the Investment Policies contravened the governing documents of DPFP and could constitute a breach of the Trustees' own fiduciary duties, not to mention creating an excessive risk to DPFP and its beneficiaries.

79. Unfortunately, one of the significant factors leading to DPFP's crippling losses was an over-investment in the real estate sector in excess of asset-allocation targets set forth in DPFP's governing documents and statutory diversification requirements. Upon information and belief, such

departures from the asset-allocation targets and statutory diversification requirements were not clearly prudent and/or were contrary to the Trustees' statutorily imposed duties.

80. Upon information and belief, Lawson never offered any express legal advice to DPFP's officers, DPFP's in-house counsel or the Trustees regarding DPFP's over-investment in real estate in relation to asset allocation targets or statutory diversification requirements. Upon information and belief, Lawson never offered any express legal advice to DPFP's officers, DPFP's in-house counsel or the Trustees regarding the inappropriateness of DPFP investments in, for example, raw land for speculative development. Upon information and belief, Lawson never offered any express legal advice to DPFP's officers, DPFP's in-house counsel or the Trustees regarding the reasonable and foreseeable risk that exceeding asset allocation targets and investing in risky and speculative real estate development could be deemed to constitute a breach of the members' fiduciary duties to DPFP. Upon information and belief, Lawson never advised the Trustees that approving risky real estate investments outside of open sessions might constitute a breach of the Trustees' fiduciary duties.

81. Upon information and belief, if Lawson had given appropriate legal advice to DPFP's officers, DPFP's in-house counsel or Trustees, the Trustees would have taken such advice and limited DPFP's investments in real estate (including, for example, investments in raw land for speculative development), thereby avoiding substantial losses.

82. To the extent that Lawson ever provided general information to the Trustees about fiduciary duties in the abstract, he failed to give specific advice on a routine basis as he observed DPFP consistently violating the Investment Policies and the Trustees regularly (but unknowingly) acting in a manner that could breach their fiduciary duties. Such advice—or at least reminders of

the Trustees' duties and the specific conduct that could breach them—would have compelled the Trustees to make different choices, preventing losses to DPFP.

83. If Lawson ever gave any such advice to Tettamant (who was statutorily prohibited from acting as a fiduciary of DPFP) or to any other executive at DPFP, and to the extent that Tettamant (or such other executive) ignored such advice and did not convey it to the Trustees, Lawson had a duty to communicate such advice *directly* to the Trustees—particularly given that Lawson regularly attended Board meetings and personally heard what was (and was not) being communicated to the Trustees by Tettamant and others. Had *Lawson simply spoken up*, millions of dollars lost in risky investments could have been saved. Unfortunately, Lawson's failure to communicate such advice directly to the Trustees breached his duties and led to material losses on high-risk investments.

Lawson Failed to Adequately Advise/Protect DPFP in Its Agreements With Outside Investment Managers

84. Lawson represented DPFP in connection with DPFP's investment management agreement ("IMA") with CDK, including its various amendments. The IMA failed to adequately protect DPFP's interests in the event of any mismanagement by CDK of DPFP investments. For example, the IMA provided that CDK carry errors and omission insurance coverage of only \$1 million—a woefully inadequate amount considering the tens of millions of dollars in real estate investments managed by CDK on DPFP's behalf. DPFP suffered harm as a result of Lawson's failure to properly advise the Board and represent DPFP in connection with amending the IMA, including its insurance policy limits.

Lawson Facilitated Misconduct by Outside Investment Managers

85. Lawson became aware of possible mismanagement of DPFP's investments. In particular, Lawson was aware of: (i) certain advisors having possible conflicts of interest in causing

DPFP to invest as much as possible solely in order to generate more advisor fees; (ii) advisors causing DPFP to enter into transactions without obtaining appropriate authorization and informed consent; and/or (iii) certain advisors' failure to keep DPFP adequately informed. Notwithstanding such knowledge, Lawson never communicated such information to the Trustees, facilitating some advisors' potential malfeasance toward DPFP. Had Lawson communicated this information to the Trustees, the Trustees would have taken action to curtail or halt such actions by its advisors, preventing further losses to DPFP due to such misconduct.

Lawson Makes Money Off of DPFP—Without Protecting DPFP

86. Lawson charged millions of dollars in fees over the years to DPFP relating to problematic investments. Notwithstanding purportedly looking out for the interests of DPFP and its participants and beneficiaries, Lawson's conduct contributed to DPFP *losing* millions of dollars.

Lawson Failed to Advise Regarding Compliance with Board Resolutions

87. Numerous multi-million dollar investments approved by resolution of the DPFP Board were expressly contingent on various factors, including successful due diligence, contract negotiations, and the final approval or recommendation of legal counsel. Lawson was aware of the prerequisites for the consummation of these transactions because Lawson was present at the Board meetings at which all such resolutions were made. Notwithstanding such awareness, upon information and belief, Lawson did not advise the Board that the investments—which resulted in the loss of millions of dollars to DPFP—were being made without the prerequisites being satisfied.

88. On information and belief, Lawson still has not fully disclosed all material information to the Board regarding all of the matters over which he had a common law and fiduciary duty to the Board to provide advice.

89. Based on the foregoing allegations, DPFP alleges the following causes of action collectively and in the alternative, as appropriate.

F. CAUSES OF ACTION

COUNT ONE Breach of Contract (Against Townsend)

90. DPFP incorporates by reference all of the allegations of the foregoing paragraphs.

91. Pursuant to the Investment Consultant Agreements between Townsend and DPFP, Townsend agreed to do the following (among other things):

- a. Assess the “value added” by investment managers in their pursuit of investment strategies;
- b. Make all recommendations definitive and in writing;
- c. Prepare due diligence reports on investments in the Real Estate Portfolio, focusing on compliance with DPFP’s policies and guidelines, real estate strategic investment plan, and practices routinely followed in the industry;
- d. Monitor investment performance by individual property, by manager, and by asset class and compare them to established benchmarks and issue quarterly reports regarding the same;
- e. Evaluate and monitor each real estate investment manager by reviewing relevant information pertaining to firm stability and integrity;
- f. Monitor the characteristics of investment managers’ accounts over time;
- g. Document recommendations with qualitative and quantitative analysis of a fiduciary quality;

- h. Promptly report all information about which Townsend had actual knowledge that may materially impact the investment of DPFP in the Real Estate Portfolio;
 - i. Notify the DPFP Board, in writing, of any information suggesting an investment would likely have a material adverse effect on DPFP; and
 - j. Require investment managers to report to Townsend periodically with respect to each real estate property in the Real Estate Portfolio
92. Townsend breached that agreement by (among other things):
- a. Failing to assess the “value added” by investment managers, including CDK, Land Baron, and others;
 - b. Failing to make all recommendations definitive and in writing;
 - c. Failing to prepare due diligence reports on investments in the Real Estate Portfolio, focusing on compliance with DPFP’s policies and guidelines, real estate strategic investment plan, and practices routinely followed in the industry;
 - d. Failing to adequately monitor the characteristics of investment managers’ accounts over time;
 - e. Failing to document recommendations with qualitative and quantitative analysis of a fiduciary quality;
 - f. Failing to promptly report all information about which Townsend had actual knowledge that may materially impact the investment of DPFP in the Real Estate Portfolio;

- g. Failing to notify the DPFP Board, in writing, of any information suggesting an investment would likely have a material adverse effect on DPFP; and
- h. Failing to ensure that its advice was provided to DPFP's governing Board of Trustees.

93. DPFP fully performed its duties under the Investment Consultant Agreement.

94. As a direct and proximate result of Townsend's breach of contract as alleged above, DPFP was injured and has suffered substantial damages.

COUNT TWO
Breach of Fiduciary Duty – Contractual, Statutory, and Common Law
(Against Townsend and the Townsend Individual Defendants)

95. DPFP incorporates by reference all of the allegations of the foregoing paragraphs.

96. Townsend agreed in its ICAs with DPFP that "without limitation, [Townsend] is a fiduciary with respect to the performance of its duties herein for the Board and for [DPFP.]" Townsend also agreed to serve as a statutory fiduciary under Section 802.203(b) of the Texas Government Code. Additionally, Townsend was a fiduciary of DPFP under Texas common law by virtue of its agreement to give advice for DPFP's benefit.

97. As a fiduciary, Townsend owed DPFP the fiduciary duties of care, loyalty, good faith, and full disclosure, the duty to refrain from self-dealing, and the duty to put DPFP's interests ahead of its own interests and the interests of others. Under the ICAs, Townsend also owed DPFP "the obligation to affirmatively disclose information of which [Townsend] has actual knowledge which may materially impact the investment of [DPFP] in the [Real Estate Portfolio]." Additionally, under the Texas Government Code, Townsend owed DPFP a duty to "discharge its duties solely in the interest of the participants and beneficiaries" of DPFP; to act "with the care, skill, prudence, and diligence under the circumstances that a prudent person acting in a like capacity

and familiar with matters of the type would use”; to ensure that DPFP would “diversify[] the investments of the system to minimize the risk of large losses”; and to act “in accordance with the documents and instruments governing the system[.]”

98. The Townsend Individual Defendants were responsible for fulfilling Townsend’s duties as a corporate fiduciary to DPFP. As a result, the Townsend Individual Defendants also assumed fiduciary duties to DPFP for the actions they took, or should have taken, for its benefit.

99. Townsend and the Townsend Individual Defendants breached their fiduciary duties by, among other things:

- a. Failing to act “with the care, skill, prudence, and diligence” of a prudent investment consultant under similar circumstances;
- b. Failing to ensure the DPFP would “diversify[its] investments . . . to minimize the risk of large losses”;
- c. Failing to “affirmatively disclose information of which [Townsend] has actual knowledge which may materially impact the investment of [DPFP] in the [Real Estate Portfolio]”;
- d. Failing to act “in accordance with the documents and instruments governing [DPFP]”; and
- e. Failing to put DPFP’s interests ahead of their own interests.

100. As a direct and proximate result of Townsend’s and the Townsend Individual Defendants’ conduct as alleged above, DPFP was injured and has suffered substantial damages. DPFP is entitled to recover all damages suffered as a result of Townsend’s and the Townsend Individual Defendants’ breaches of fiduciary duties.

COUNT THREE
Professional Negligence
(Against Townsend and the Townsend Individual Defendants)

101. DPFP incorporates by reference all of the allegations of the foregoing paragraphs.

102. Townsend served as a fiduciary and professional advisor and consultant for DPFP, and represented itself to be an accomplished and competent real estate investment consultant.

103. Townsend performed its advising and consulting services through, or under the direction of, the Townsend Individual Defendants, who were Townsend principals and agents of the company.

104. Townsend's and the Townsend Individual Defendants' actions in managing investments for DPFP were inconsistent with, and fell short of, the degree of care exercised by reasonable and prudent consultants of pension system investments.

105. As a direct and proximate result of Townsend's and the Townsend Individual Defendants' conduct as alleged above, DPFP was injured and has suffered substantial damages. DPFP is entitled to recover all damages suffered as a result of the Townsend's and the Townsend Individual Defendants' negligence.

COUNT FOUR
Professional Negligence
(Against Lawson)

106. DPFP incorporates by reference all of the allegations of the foregoing paragraphs.

107. Lawson served as fiduciary and professional legal advisor and counselor to DPFP, and represented himself to be an accomplished and competent investment legal advisor and counselor.

108. Lawson's acts and omissions in providing legal advice and counseling to DPFP were inconsistent with, and fell short of, the degree of care and skill exercised by reasonable and prudent lawyers under similar circumstances.

109. As a direct and proximate result of Lawson's conduct as alleged above, DPFP was injured and has suffered substantial damages. DPFP is entitled to recover all damages suffered as a result of the Lawson's professional negligence.

COUNT FIVE
Breach of Fiduciary Duty
(Against Lawson)

110. DPFP incorporates by reference all of the allegations of the foregoing paragraphs.

111. Lawson agreed to serve as a fiduciary of DPFP. As a fiduciary, Lawson owed fiduciary duties of care, loyalty and good faith to DPFP. He also owed DPFP a duty of full disclosure, to act in DPFP's best interest with respect to the matters within his broad scope of engagement, and to put DPFP's interests ahead of his own interests and the interests of others.

112. Lawson breached his fiduciary duties by the conduct alleged above. As a direct and proximate result of such conduct, DPFP was injured and has suffered substantial damages. DPFP is entitled to recover all damages suffered as a result of Lawson's breaches of fiduciary duties.

G. DISGORGEMENT OF FEES

113. Because of Townsend's clear and serious breaches of its fiduciary duties, DPFP is entitled to disgorgement of all or part of the fees collected by Townsend in its role as a contractual and statutory fiduciary of DPFP.

114. Because of Lawson's clear and serious breaches of his fiduciary duties, DPFP is entitled to disgorgement of all or part of the fees collected by Lawson in his role as a fiduciary of DPFP.

H. ATTORNEYS' FEES

115. Pursuant to Texas Civil Practice & Remedies Code § 38.001(8), DPFP is entitled to recover reasonable attorneys' fees from Townsend relating to Townsend's breach of contract.

I. JURY DEMAND

116. Plaintiff hereby demands a trial by jury.

J. PRAYER

WHEREFORE, DPFP respectfully requests that after a trial on the merits, DPFP have judgment against Townsend, Richard Brown, and Martin Rosenberg, jointly and severally with Townsend, and against Lawson for the following:

1. All damages, actual and consequential, sustained by DPFP as a result of the conduct of Townsend, Richard Brown, Martin Rosenberg and Gary Lawson as described above;
2. Disgorgement of fees collected by Townsend and Lawson to the fullest extent permitted by law;
3. Pre-judgment and post-judgment interest as allowed by law;
4. Reasonable and necessary costs and attorneys' fees as allowed by law; and
5. All other relief to which DPFP may be entitled.

K. REQUEST FOR DISCLOSURE

Under Texas Rule of Civil Procedure 194, DPFP requests that Townsend, Richard Brown, Martin Rosenberg and Gary B. Lawson disclose, within fifty (50) days of the service of this request, the information or material described in Rule 194.2(a)-(f), (g), and (l).

DATED: August 31, 2017

Respectfully submitted,

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Counsel for Plaintiff
Dallas Police & Fire Pension System

EXHIBIT A

DALLAS POLICE AND FIRE PENSION SYSTEM INVESTMENT CONSULTANT AGREEMENT

THIS AGREEMENT (the "Agreement"), is by and between the DALLAS POLICE AND FIRE PENSION SYSTEM, located at 2301 N. Akard, Dallas, Texas 75201 (the "System") and The Townsend Group, located at 1660 West Second Street, Suite 450, Cleveland, Ohio 44113 (the "Consultant"), and is effective as of October 1, 2004.

RECITALS

WHEREAS, the System was created pursuant to former Article 6243a of the Revised Civil Statutes of the State of Texas and is currently governed by Article 6243a-1 of the Revised Civil Statutes of the State of Texas, and consists of the Combined Pension Plan;

WHEREAS, the System represents that it has delivered to the Consultant a true and complete copy of all relevant documents governing the System and its assets, and will promptly deliver to the Consultant copies of all future documents affecting the same. In addition to being subject to Article 6243a-1, the Board of Trustees of the Dallas Police and Fire Pension System (the "Board") and fiduciaries dealing with the System are subject to Chapters 551, 52 and 802 of the Texas Government Code (collectively herein called the "Texas Statutes");

WHEREAS, the Consultant acknowledges the applicability of the Texas Statutes to this Agreement and that the Consultant is familiar with its obligations under such statutes;

WHEREAS, the Board represents and the Consultant hereby acknowledges that the System is a "governmental plan" (as later herein defined) singularly headquartered, situated, and administered in Dallas, Texas;

WHEREAS, the Consultant acknowledges that Consultant or an affiliate of the Consultant has performed services for the System after engaging in contacts with the Board and the System in Dallas, Texas and that the Consultant has also engaged in contacts with the System in Dallas, Texas as a material part of the negotiations with the System to cause the Board to enter into this Agreement for the Consultant's services;

WHEREAS, the System is administered by the Board which, pursuant to the authority granted by the Texas Statutes, has the authority to contract on behalf of the System for services in the administration, management and investment of the System's assets subject to such requirements, policies, and guidelines as the Board may impose;

WHEREAS, the Consultant advises other pension plans with regard to their investments in real estate-related investments including, but not limited to: mortgages; leaseholds; fees and other interests in realty; ; interests in real estate securities, trust and participation certificates and other evidences of ownership, part ownership, interest or part interest;

WHEREAS, notwithstanding the fact that the Consultant may have similar agreements with and render similar services to other parties who may be either or both non-governmental plans or parties not domiciled in Dallas, Texas, it is acknowledged by the Consultant that no such other agreements or transactions shall be deemed relevant to the remedies under or enforcement of this Agreement;

WHEREAS, the System and the Consultant wish to enter into an Agreement under which the Board reappoints and the Consultant accepts such appointment as investment Consultant to the Board, effective as of October 1, 2004 to provide real estate investment consultant services; and

WHEREAS, the Board has duly voted to enter into this Agreement with the Consultant to act as a real estate investment consultant.

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND CONDITIONS AND AGREEMENTS HEREIN CONTAINED AND THE RECITALS SET FORTH ABOVE, WHICH FORM A MATERIAL PART OF THIS AGREEMENT AND OTHER GOOD AND VALUABLE CONSIDERATION, AS HEREIN PROVIDED, THE PARTIES AGREE AS FOLLOWS:

SECTION 1 AGREEMENT SITUS

The Board and the Consultant acknowledge and agree that the duties, obligations, and services of the Consultant, pursuant to the terms and provisions of this Agreement, are deemed performable in Dallas, Dallas County, Texas.

SECTION 2

CONSULTANT APPOINTMENT, GENERAL DUTIES AND STANDARD OF CONDUCT

(a) (i) The term "Asset" shall mean, in general, all cash, cash equivalents, securities of all types and nature which the System places under investment management of any person or entity and assets which become part of the System's assets as a result of any transaction or accretion thereto, but with the understanding that this Agreement pertains only to those assets that are directly or indirectly invested in real estate or real estate securities or the cash or cash reserves held by real estate investment managers (the "Client Account" or "Account").

(ii) The Board hereby confirms the appointment of Consultant as a fiduciary and an investment consultant for the System in connection with the investment of the Client Account.

(iii) The Consultant shall conduct all of its activities with respect to the Client Account solely in the interest of the System in accordance with the requirements placed upon certain fiduciaries by Section 802.203(a) of the Texas Government Code ("Fiduciary Standard of Care").

(iv) The Consultant shall at no time receive, retain nor control any Asset forming any part of the Client Account.

(v) The Consultant shall promptly notify the Board in writing (A) if any of the representations hereof shall cease to be true at any time during the term of this Agreement, (B) of any change in Consultant's business or corporate organization or key personnel which affect Consultant's ability or potential ability to perform hereunder, (C) of any lawsuit filed against the Consultant in which advice or ethical behavior of the Consultant are at issue, in which charges of fiduciary misconduct are alleged or which may, if proven, materially impair the ability of the Consultant to perform under this Agreement, or (D) of any material adverse change in the Consultant's financial condition.

(vi) If the Consultant is unable to act, or if the Board reasonably believes the Consultant is unable to act, in any matter by reason of any conflict of interest whether between the Client Account and any other venture advised or managed by the Consultant and its affiliates or partners or otherwise, the Board shall be immediately advised by the Consultant and, after consultation with the Consultant the Board may either appoint an independent fiduciary, or terminate this Agreement effective immediately, notwithstanding the notice and time provisions in

Section 11 below. If such independent fiduciary is appointed, the Consultant shall be entitled to follow the direction of such fiduciary and shall not be liable for following such advice or for a Board decision not to follow such independent fiduciary's advice.

(vii) The Board hereby authorizes the Consultant:

(A) if necessary, to attend to legal matters in connection with performance of this Agreement by retaining appropriate counsel, which may be counsel to the System or the Consultant in other matters, and the taking or causing to be taken such acts as, in the reasonable and prudent judgment of the Consultant and when deemed appropriate, upon written advice of counsel (which need not be a legal opinion, but a copy of which shall be provided to the Board), as are necessary or appropriate to comply, in all material respects, with all applicable laws, rules, and regulations;

(B) to make, execute, acknowledge and deliver or to cause all documents and instruments that may be necessary or desirable to be properly executed in order to carry out any of the Consultant's powers or authority, and to do all such acts as may be desirable or necessary to protect, preserve or exercise the System's rights of ownership or otherwise in the Client Account, without advertisement and without order of court, and without having to post bond or make any returns or reports of its doings to any court;

(C) to maintain appropriate records of the Client Account, which records shall be open to inspection by the System or its authorized representatives at the principal office of the Consultant or Custodian, as applicable, with reasonable prior written notice and during normal business hours; all such books and records relating to the Assets being the property of the System.

(viii) Personnel or agents of the Consultant who are directly or indirectly responsible for performing services under this Agreement will be covered by the Consultant under an errors and omissions insurance policy and a fidelity insurance policy as described at Subsections 4(d) and 4(e).

(b) The System hereby appoints The Townsend Group as an investment consultant in connection with the Client Account to provide the following research, documentation and other services:

(i) In cooperation with the Administrator and the Assistant Administrator - Investments, within twelve (12) months of execution of this

Agreement propose all appropriate revisions of the System's Real Estate Investment Procedures and Guidelines last amended on July 9, 1998. The proposals, which are subject to the Board's subsequent approval, must include recommended guidelines with respect to overall portfolio structure, levels of risk, diversification, return targets, asset allocation within the amounts allocated to real estate, and property specific acquisitions and all other matters appropriate for such documents. While the Board, with the advice of other consultants, will make asset allocation decisions as to the total assets of the System including setting the total allocation to real estate, in part based upon Consultants recommendation and advice hereunder and the Consultant shall not have any obligation to provide guidance with regard to assets not allocated to real estate, provided the real estate guidelines hereunder shall be made with an awareness of the System's broader multi-asset portfolio;

(ii) Evaluate the current real estate investment structure in the context of the investment policies and objectives to be developed according to Paragraph (i) above;

(iii) Undertake searches to identify and evaluate manager candidates and make selection recommendations;

(iv) Prepare due diligence reports on both individual properties and commingled funds; partnerships, private equity, REITs, and other real estate related investments owned by or being considered by the System provided, however, that due diligence reports for assets acquired through separate accounts will focus on compliance with System's policies and guidelines, real estate strategic investment plan and practice routinely followed in the industry;

(v) Develop performance-based or other appropriate fee structures, in appropriate circumstances, and negotiate along with the System staff, fees with investment managers;

(vi) Prepare for approval written guidelines which include risk and return expectations for each separate account real estate investment manager as well as use of leverage;

(vii) Monitor the investment performance by individual property, by manager and by asset class and compare them to established benchmarks. Accurate reports, including the report for the final period of time covered by this Agreement, to be issued quarterly within 90 days of the end of each calendar quarter to include the year ending December 31 all subject to reasonable delay, if any, occasioned,

through no fault of Consultant, by any failure of the System's Investment Manager(s) to deliver usable data to Consultant. Reports are to be sent electronically and in hard copy in a form suitable to the Board;

(viii) evaluate and monitor each real estate investment manager by reviewing such items as ownership structure, personnel turnover, public announcements, change of ownership, ADV reports on file with the SEC, and other relevant information that ensures firm stability and integrity;

(ix) Periodically compare and rank total System real estate performance against available universe of other similar Townsend Group clients on a blind basis, as requested;

(x) Monitor the characteristics of individual managers' accounts over time;

(xi) Assess the "value added" by managers in their pursuit of investment strategies;

(xii) Provide assistance in preparing periodic reports for publications authorized by the Board;

(xiii) Document the Consultant's recommendations with quantitative and qualitative analyses, of the quality appropriate to fiduciary advisors with premier national reputations and provide reasonable access, excluding weekends and holidays (but such exclusion not to prohibit contact for bona fide emergencies) to individual consultants;

(xiv) At the request of the Administrator, appear before state and/or local government boards to provide informational presentations regarding pension and real estate investment issues, with additional compensation for time and travel expenses;

(xv) Monitor and report on real estate market trends and periodically update investment policy and objectives to reflect changes in the capital markets;

(xvi) Provide any other reports as are agreed to by the parties;

(xvii) Make all recommendations definitive and in writing;

(xviii) Exercise its best efforts to send all reports to the System's office in electronic format at least eight (8) days prior to their scheduled presentation to the Board;

(xix) Meet with the representatives of the System on a regular basis, not less frequently than quarterly;

(xx) To monitor the occurrence or existence of potential causes for disposition of an interest in real property; and

(xxi) With respect to each interest in Real Property held in the Client Account, require that all of the Systems' real estate investment managers report to the Consultant periodically in accordance with procedures set forth by the Consultant and inform the System's staff of any difficulty in obtaining compliance.

(c) The System may make additions to and withdrawals from the Client Account; provided, however, that the Consultant shall be given prompt written notice thereof by the Board or its delegate.

(d) The Board represents that, except as the Consultant has been informed in writing to the contrary, there is no restriction under the documents respecting the System and its assets which would prevent or limit investment of assets of the System in any manner whatsoever and that if any such restriction should be effected, the Consultant shall be promptly informed in writing as to the nature and extent of any such restriction.

(e) The Board acknowledges that the Client Account represents only a portion of the assets of the System and that the System now holds and may in the future acquire assets other than through the Client Account. The parties agree that the Consultant shall have no responsibility or liability in the selection of assets other than for the Client Account, or otherwise regarding the Board's investment policies or strategy, overall portfolio composition, or diversification of the Board's investments, save and except for policies, strategies and composition of Assets within the Client Account. Further, the Board represents that to the extent there is any restriction (whether created by the System documents, applicable law or otherwise) as to the percentage of any such System's assets which may be invested in any type of property, the Board, and not Consultant, shall, except as otherwise provided pursuant to this Agreement and any attachment hereto, be responsible for ensuring that the System's investments (including Assets in the Client Account) do not, individually or in the aggregate, violate such restrictions.

SECTION 3 CUSTODY OF ASSETS

The Custodian has custody and possession of the assets of the System; however, individual investment managers may maintain the custody of any instrument evidencing the ownership of investments in the Client Account when doing so is in the best interest of the System.

SECTION 4 CONSULTANT'S STATUS AND REPRESENTATIONS

(a) Consultant acknowledges that, without limitation, it is a fiduciary with respect to the performance of its duties herein for the Board and for the System; and such duties include, without limitation, the obligation to affirmatively disclose information of which the Consultant has actual knowledge which may materially impact the investment of the System in the Client Account (materiality to be determined based on the particular investment and without regard to the total value of the System's other assets). The Consultant further acknowledges and agrees that all actions of the Consultant shall conform to the Texas Statutes.

(b) The Consultant represents that it is in the business of advising institutional investors with respect to the hiring of real estate investment managers, evaluating their construction and management of estate portfolios will assign highly skilled individuals to perform its duties under this Agreement and provide those individuals with adequate resources to perform their assigned tasks to the best of their abilities.

(c) The Consultant shall promptly notify the Board if any of the representations of this Section shall cease in any material respect to be true or if there is any change of the directors, senior officers or other employees who exercise discretion or render advice with respect to investment of the Assets at any time during the term of this Agreement.

(d) The Consultant will provide evidence of an adequate fidelity bond from an insurer satisfactory to the Board in an amount not less than Five Hundred Thousand Dollars (\$500,000.00). All costs of the premiums and payment of deductibles of such fidelity bond will be paid by the Consultant, not the Board or the System, although a copy of the bond and periodic evidence of its existence shall be provided by the Consultant to the Board.

(e) Consultant will maintain a business continuity plan.

SECTION 5
SYSTEM'S AUTHORITY TO CONTRACT AND OBLIGATION TO
PROVIDE INFORMATION

(a) The Board represents and confirms that the hiring of the Consultant is authorized by the Texas Statutes and documents governing the System, that the terms of this Agreement have been duly authorized and, when executed and delivered, will be binding on the System and the Board in accordance with its terms and at least one of the signatories on behalf of the System is a named fiduciary under the documents governing the same.

(b) The System will provide Consultant with such non-confidential information as Consultant may reasonably request.

SECTION 6
COMPENSATION

The compensation of the Consultant as investment Consultant shall be such as is set forth on Exhibit "A," a copy of which is attached hereto and made a part hereof, except that no change in fees shall be effective unless and until a written agreement as to any such change is reached between the Consultant and the System. Payment to the Consultant shall be made at such times and in such amounts as determined under Exhibit A. If this Agreement is terminated all fees due to the Consultant shall be prorated to the date of termination. In addition, the Consultant will be entitled to reimbursement for those expenses, if any, set forth on Exhibit A.

SECTION 7
EFFECT OF ADVICE TO CONSULTANT'S OTHER CLIENTS

(a) It is understood by the Board that the Consultant (and possibly affiliates of the Consultant) will be acting in an investment consultant or adviser capacity for other clients. Nothing in this Agreement shall be construed to restrict the right of the Consultant or such affiliates to perform other services for any other person or entity. Further, this Agreement shall not be deemed to restrict in any way the freedom of the Consultant or its affiliates to conduct any other business venture of any nature or to make investments for its own accounts or the accounts of any other person or entity. Further, no such other services or relationships shall, by itself, give rise to any duty or obligation to the Board or to the System with respect

thereto; provided, however, that the Board is not by these terms prevented from comparing the Consultant's conduct with regard to other accounts in evaluating the Consultant under this Agreement.

(b) The Consultant, its affiliates and personnel may choose to manage and invest their personal portfolios differently than those of clients, and may have investments or make investment transactions in the same or similar securities held by clients.

(c) The Consultant may also be rendering services similar to those services being rendered under this Agreement to entities co-investing with the System in Real Property. Barring a breach of the Fiduciary Standard of Care, to the extent a conflict arises between the co-investors of any interest in Real Property and either co-investor requests that the Consultant resigns as its fiduciary, the Consultant shall not be deemed to have violated its fiduciary obligation to the System if the Consultant resigns as the investment Consultant to any co-investors with respect to such individual real property (and only with respect to such individual real property) and retains the System as its client.

(d) The parties acknowledge that the advice of the Consultant to other clients and entities and the action of the Consultant for those other clients are frequently premised not only on the merits of a particular investment but on the suitability of that investment for the particular investor in light of its applicable investment guidelines and circumstances, and thus any action of the Consultant with respect to a particular investment may differ from either the recommendation, advice, and/or actions of the Consultant to, or on behalf of, other clients, even though the investment objectives may be the same or similar.

SECTION 8 CONFIDENTIALITY OF ADVICE

In order to protect the value of the Consultant's services to the Board and to others to whom it may render similar services, all advice furnished hereunder and all information as to transactions for the Client Account shall be treated as confidential for a reasonable period of time after being rendered and, during such time, shall not be disclosed to third parties except as may be required by law or otherwise appropriate to carry out the purposes of this Agreement. The Consultant acknowledges that the records of the System are, however, subject to public disclosure under Chapters 551 and 552 of the Texas Government Code, commonly referred to as the Open Meetings Act and the Public Information Act.

SECTION 9 LIABILITIES AND INDEMNIFICATIONS

(a) The Consultant and its shareholders, directors, officers, employees, or any person acting for or on its or their behalf shall not be liable for any error of judgment or any loss arising out of any investment of the Client Account unless there is a loss resulting from: (i) the failure to adhere to any of its obligations as set forth in this Agreement, including but not limited to meeting the Fiduciary Standard of Care; (ii) negligence, (iii) willful misconduct; or (iii) bad faith.

(b) Notwithstanding the provisions of Section 9(a), the Consultant shall indemnify and save the System and the Board harmless from and against any and all losses, claims, damages, costs, expenses and liabilities, including reasonable attorneys fees and expenses incurred in the course of any threatened or actual litigation, arbitrations or administrative proceedings brought by a member, beneficiary, governmental agency or any other person, resulting from or which may arise out of the bad faith, negligence, material breach of the Fiduciary Standard of Care under this Agreement, or willful misconduct on the part of the Consultant, its shareholders, directors, officers, employees, or any person (other than an independent contractor) acting for or on its or their behalf (hereinafter referred to as "Consultant's Wrongful Acts"), arising from, on account of, or in connection with the performance of or by the Consultant as they relate specifically to the management of the Client Account. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith; nothing in this Agreement shall constitute a waiver or limitation of any rights which the Board and the System may have under applicable federal or state securities laws. If the Consultant: (i) concedes liability to the System and/ or the Board for Consultant's Wrongful Acts; or (ii) is found by a court of competent jurisdiction to be liable to the System and/or the Board for Consultant's Wrongful Acts, the Consultant shall then, in addition to the indemnification above, be liable for the reasonable attorneys' fees and expenses, if any, incurred by the Board and/or the System in connection with the enforcement, if necessary, of the obligations of the Consultant to indemnify the Board and/or the System hereunder. Consultant shall have no duty, responsibility or liability whatever with respect to any of the System's assets or property not contained in the Client Account.

(c) The parties agree to cooperate fully in responding to or the defense of any threatened or actual claims which arise out of any action taken by the Consultant pursuant to this Agreement. For the indemnification and hold harmless provisions of Section 9(b) above to apply, the parties shall inform each other

promptly of any claims threatened or made against the System, Board and/or the Consultant, whereupon the Consultant shall (with the consent of the Board and upon such terms and conditions as may then be reasonable, such consent not to be unreasonably withheld or delayed) be entitled to assume full responsibility (including, without limitation, choice of counsel) for contesting, defending, or litigating any matter for which indemnification is claimed.

(d) The System shall indemnify and hold harmless the Consultant, its shareholders, directors, officers and employees, from and against all losses, claims, damages, costs, expenses and liabilities, including reasonable attorney's fees and expenses incurred by or on behalf of Consultant resulting from or arising out of any act of the Consultant acting or having acted as the Consultant hereunder incurred in the course of any threatened or actual litigation, arbitrations or administrative proceedings brought by a member, beneficiary, governmental agency or any other person, provided Consultant is not otherwise made whole by any third party including any insurer, except by reason of the Consultant's Wrongful Acts. As a condition of the System's obligation to indemnify the Consultant under this Section 9(d), the Board shall have the right to approve counsel to represent the Consultant and the terms of such legal contract as relates thereto, which approval shall not be unreasonably withheld or delayed, and the Consultant shall cooperate fully with the Board with respect to the defense of any such claim. Further, for the indemnification and hold harmless provisions of this Section 9(d) to apply, the parties shall inform each other promptly of any claims threatened or made against the System, Board and/or the Consultant, whereupon the Board shall (with the consent of the Consultant and upon such terms and conditions as may then be reasonable, such consent not to be unreasonably withheld or delayed) be entitled to assume full responsibility for contesting, defending, or litigating any matter for which indemnification is claimed, and Consultant shall be released from all liability.

(e) So long as the Consultant follows those written directions of the Board or its delegate in accordance with this Agreement, the Consultant shall not be liable for any losses or damages incurred by reason of the Consultant's compliance with such directions unless such losses were caused by the Consultant's or its employee's Wrongful Acts in carrying out such directions, and the Consultant shall be indemnified and held harmless in accordance with Section 9(d) above in such instance. Notwithstanding the foregoing, the Consultant shall not be exculpated from liability under the provisions of this Section 9(e) if the Consultant, at a senior level of management or on the part of an individual directly participating in the servicing of the Client Account, has information in its possession which leads the

Consultant to believe that such an investment would likely have a material adverse effect on the Client Account and the Consultant fails to notify the Board in writing of such information.

(f) The parties agree that they are not agents for the other party with respect to the settlement of any dispute and thus cannot bind the other party hereto to contractual liability by virtue of any settlement without such party's written consent. However, the preceding sentence does not restrict any party from settling a dispute on its own behalf after reasonable notice to the other party and subsequently attempting to seek indemnification under the terms hereof. Notwithstanding anything contained in this Section 9, any named defendant may, at its own cost, hire its own counsel even if it does not control the litigation.

(g) The mere existence of any right of the Board or System set forth in this Agreement, without more, shall not impose a duty to exercise such right and further if such right is not exercised, it shall not relieve the Consultant of any obligation hereunder or as a matter of law.

(h) In the event (1) the Consultant engages counsel to give advice to the Consultant with regard to action or inaction related to the Consultant's or any other person(s)' obligations under this Agreement and (2) the reasonable fees and cost of such advice are borne directly (or indirectly in any surcharge intended to cover the cost of such advice) by the System, the Consultant will inform such counsel of and provide counsel with a copy of this Agreement or at least this Subsection 9(h) and counsel in order to be entitled to any such fee(s) for such services agrees to be bound by this Section. Copies of all written communications prepared by the counsel for the Consultant for the benefit of the System will be provided to System upon request. It is the intent of the parties to this Agreement by this Subsection 9(h) that if such counsel is retained and renders advice which forms the basis, in whole or in part, of any action or inaction affecting the System under this Agreement that the System is considered by all parties and by such counsel to be a client of the counsel and a third party beneficiary of the relationship between counsel and the Consultant. The System, in its own right is entitled to assert its own independent cause of action as a client and have standing in any proceeding which questions the propriety of the advice given or asserts a claim arising out of the action or inaction of such counsel notwithstanding the laws of any jurisdiction to the contrary. By proceeding thereafter, counsel who has been retained in accordance with the foregoing provisions of this Section 9(h) agrees that the Board may properly bring a cause of action against it on behalf of the Board and/or the System for breach of contract, negligence or malpractice.

SECTION 10

ANNUAL CERTIFICATION

Upon execution of this Agreement, during each October during the life of this Agreement and upon termination of the Agreement, Consultant will give System a certification signed by the person serving as its chief compliance officer that as of the date of the certification and at all times during the preceding contract year that:

- (a) all of Consultant's recommendations have been made in accordance with the Fiduciary Standards of Care;
- (b) Consultant has neither accrued nor received any direct or indirect benefit in violation of Section 5 of Exhibit A of this Agreement;
- (c) all representations and warranties made in this Agreement are correct;
- (d) Consultant has maintained all insurance and bonds required under the Agreement;
- (e) Consultant has promptly reported all information required under Section 4(a) above; and
- (f) Consultant has complied with its Conflicts of Interest Policy, Code of Ethics and Statement of Standards of Professional Conduct, collectively attached hereto as Exhibit B.

SECTION 11

REQUEST FOR PROPOSAL REPRESENTATIONS

Those written and oral representations and inducements made by the Consultant to the Board at any Board meeting held and duly called shall constitute a material inducement to enter into this Agreement, and this Agreement with such representations being deemed incorporated herein by reference as so constituted is the entire understanding between the parties with respect to the subject matter hereof.

SECTION 12

TERM OF THIS AGREEMENT, AMENDMENT, ASSIGNMENT OR TERMINATION

This Agreement may be terminated at any time by mutual consent. This Agreement will terminate at 5:15 p.m. Central Time thirty (30) days, without penalty, after written notice of intent to terminate has been given by the Board in accordance with Section 17. The Board also has the absolute right to terminate this Agreement, without penalty, within five (5) business days of receipt of Form ADV Part II, or the equivalent information from Consultant. The Agreement will terminate at 5:15 p.m. Central Time sixty (60) days, without penalty, after written notice of intent to terminate is given by Consultant in accordance with Section 18. Any such termination shall not affect any obligation or liability of either party to each other (including, but not limited to, fees accrued but unpaid to the Consultant as of the date of such termination) or any obligation or liability that the Consultant may have incurred with third parties pursuant hereto for transactions entered into or obligations incurred prior to termination. Following the notice of any intent to terminate hereunder, the Consultant shall perform all of its obligations hereunder in good faith as directed by the Board, including the timely filing of all reports covering the final period covered by the Agreement, and will cooperate fully with the Board, at the System's cost, in taking all necessary or appropriate steps in order to effectuate the orderly transfer of all relevant functions and information to third parties designated by the Board. If the termination of this Agreement is effective during any period of time for which the Consultant has not been compensated, the fee due to the Consultant for such period shall be prorated to the date of termination. This Agreement may not be amended except by a writing expressly so providing, signed by each of the parties hereto. This Agreement may not be assigned (to the extent relevant and different from the generally accepted definition, for purposes of certain minority interest changes in the Consultant, as that term is defined under the Investment Advisers Act of 1940) by either party without the prior written consent of the other party, and any purported assignment without consent shall be void.

SECTION 13

SURVIVAL OF RIGHTS AND OBLIGATIONS

Notwithstanding anything to the contrary contained herein, each party's rights and obligations under Sections 8, 9, 10 and 13 shall survive the termination of this Agreement.

SECTION 14

SYSTEM ACKNOWLEDGMENT OF RECEIPT OF PART II OF ADV

The Board will acknowledge, upon its receipt of copies of Part II of the Consultant's Form ADV or a separate brochure which, the Consultant represents, contains the same information as in such Part II. Consultant agrees to notify the Board of any material change of Consultant's ownership, senior management, or material impairment of its financial condition, or any other material change in the nature of the Consultant's principal business activity.

SECTION 15

SEMINARS

In the event the Consultant conducts investment and/or pension plan related seminars, training sessions, or similar events which are generally made available to clients of the Consultant, the System shall be invited to send two (2) representatives. The Consultant will pay the System's cost of such events, meals, and lodging expenses only to the extent commensurate with the payment of such expenses for other clients of the Consultant, and only to the extent that the payment of such expenses does not violate all applicable ethics rules, laws, ordinances, statutes, rules, regulations and orders of governmental authorities, including those having jurisdiction over the Consultant's registration and licensing to perform services hereunder.

SECTION 16

LAWS AFFECTING AGREEMENT; VENUE AND JURISDICTION

(a) This Agreement shall be construed in accordance with and subject only to the laws of the State of Texas except to the extent preempted by federal law(s), if any, other than the Employee Retirement Income Security Act of 1974, as amended, which does not pertain to the System, a governmental plan.

(b) Notwithstanding that any questions of law or fact in such dispute and any other dispute which may be common with respect to any other contract or arrangement between the Consultant and any other parties which whom the Consultant may have in the past or may in the future have a similar contractual or

other relationship, the Consultant agrees that in any dispute between the parties hereto that the Consultant shall not be entitled to seek a stay, transfer, or consolidation with any other dispute(s) then pending or thereafter brought by any party involving the Consultant and any third party not party to this Agreement; provided, however, that this Agreement shall not be construed to prohibit such other litigation from being transferred to the court in which the dispute between the parties hereto is pending and then consolidated into such suit.

(c) Venue for any action arising from this Agreement, including but not limited to matters concerning validity, construction, performance, or enforcement, shall lie exclusively in the state or federal courts located in the City of Dallas, Dallas County, Texas. The parties stipulate and agree that they are subject to personal jurisdiction in Dallas County, Texas. This paragraph is intended to fix the location of potential litigation between the parties and does not create any causes of action or waive any defenses or immunities to suit.

SECTION 17

NOTICES

Instructions with respect to the Client Account transactions may be given orally to the Consultant by the System's Administrator or the Assistant Administrator - Investments, provided in due course a written confirmation, including by facsimile or email, is sent and that electronic confirmation is received by the System. Unless otherwise expressly provided to the contrary, any notices provided for hereunder shall be in writing and may be delivered personally or by registered or certified United States mail or by nationally recognized overnight courier/ delivery services, all charge or postage prepaid and properly addressed. Notices will be deemed given and effective if delivered personally or, if by email, facsimile or by nationally recognized overnight courier/ delivery services, upon receipt or rejection thereof, or, in the case of registered or certified mail, three days' after mailing, to the following addresses:

If to the Consultant:

The Townsend Group

1660 West Second Street

Suite 450

Cleveland, Ohio 44113

Attn: Kevin W. Lynch, Principal

If to the Board or the System:

Dallas Police & Fire Pension System
2301 N. Akard, Suite 200
Dallas, Texas 75201

Attn: Mr. Richard Tettamant, Administrator

or to such other address as either party may furnish in writing by notice hereunder to the other party. In performing its duties under this Agreement, the Consultant may rely on any written notice believed by the Consultant in good faith to be genuine or to be signed by the proper person or duly authorized and properly made.

SECTION 18 AGREEMENT DIVISIBLE

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held contrary to express law or shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remainder of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement. A provision determined to be invalid or unenforceable shall be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable. It is expressly understood and agreed, however, the intent of the parties is to be bound by all the terms hereof and each party has been represented by counsel in its evaluation, deliberation and negotiations regarding those terms hereof.

SECTION 19 NON-WAIVER

The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by any other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

SECTION 20 COUNTERPARTS

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

* * *

[Remainder of page left intentionally blank. Execution page follows.]

IN WITNESS WHEREOF, this Agreement has been executed this 14th day of April, 2005, and is effective the day first above written.

THE BOARD OF TRUSTEES ON
BEHALF OF
THE DALLAS POLICE AND FIRE
PENSION SYSTEM

By: 

Name: Gerald Brown

Title: Chairman of and on behalf of
the Board of Trustees

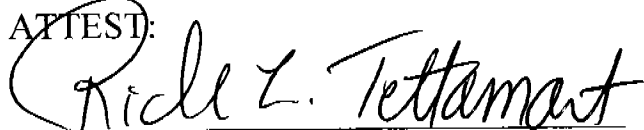
THE TOWNSEND GROUP

By: 

Name: KEVIN W. LYNCH

Title: PRINCIPAL

ATTEST:



By: Richard L. Tettamant, Administrator

APPROVED AS TO FORM:



By Gary B. Lawson, Attorney

EXHIBIT A

FEES AND OTHER COMPENSATION

1. System shall pay Consultant a base fee of \$150,000 for the first year, \$154,500 for the second year, and \$159,135 for the third year of this Agreement with payments to be made quarterly in arrears. A new fee schedule for time after October 1, 2007 may be negotiated by mutual agreement.

2. If the Investment Procedures and Guidelines required by Section 2(b)(i) of the Agreement have not been submitted to the Board for consideration, by September 30, 2005; \$5,000 of the base fee will be held in escrow by the System. The escrowed fee will be paid to Consultant only if the revised Real Estate Investment Procedures and Guidelines are prepared for the Board to review before November 1, 2005.

3. Consultant's fee normally covers its expenses in the performance of this Agreement. The System will, though, reimburse documented, reasonable expenses incurred by the Consultant for making site visits at the request of the System.

4. System will issue each quarterly payment as soon as administratively practicable, but not more than 30 days after receipt of Consultant's invoice.

5. Consultant will not receive from any third party with whom the System is doing business or is on a short list of prospective persons with whom the System may do business, including but not limited to any investment manager, real estate manager, real estate investment trust or real estate operating company, limited or general partnership, limited liability company or other business entity, or any officer, shareholder or director or independent marketing consultant for any of the above entities, any direct or indirect compensation for services, gift (other than the cost of meals and related entertainment) or award whether in the form of cash, services, or other payment which might impact or influence or present the potential appearance of influencing its duties under this Agreement.

6. Consultant will not pay or provide to any third party with whom the System is doing business including any officer, shareholder or director or independent marketing consultant for any third party, any direct or indirect compensation for services, gift (other than the cost of meals and related entertainment not exceeding \$250.00 in any one quarter) or award whether in the form of cash, services, or other payment which might impact or influence or present

the potential appearance of influencing such third party and or the System with regard to the services of Consultant or this Agreement.

7. The Consultant shall not be prohibited from making contributions to tax exempt organizations that generally support the interest of public employees or from making *de minimus* political contributions to state and local elections in Texas.

8. Consultant will, in addition to complying with paragraphs 4 and 5, above, comply with any additional requirements of the Contractors Code of Ethics attached as Exhibit B and made a part of this Agreement for all purposes. Any changes in the Code of Ethics adopted by the System will apply to the actions of Consultant thirty (30) days after Consultant is notified of the modification.

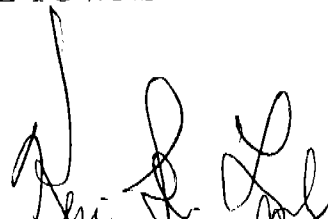
THE BOARD OF TRUSTEES ON
BEHALF OF
THE DALLAS POLICE AND FIRE
PENSION SYSTEM

By: 

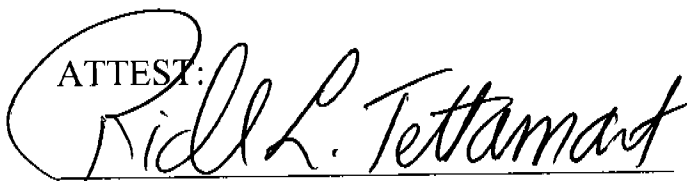
Name: Gerald Brown

Title: Chairman of and on behalf of
the Board of Trustees

THE TOWNSEND GROUP

By: 
Name: KEVIN W. LYNCH
Title: PRINCIPAL

ATTEST:



By: Richard L. Tettamant, Administrator

APPROVED AS TO FORM:

A handwritten signature in cursive script, reading "Everard Davenport", written over a horizontal line.

Everard Davenport, Attorney

EXHIBIT B
CONSULTANTS CODE OF ETHICS AND RELATED MATERIALS

I.

CONFLICT OF INTEREST POLICY

"Pay-to-Play" Standards

We firmly believe that investment counsel must be without any taint of bias or conflict with your interests. Therefore, it is our policy that Townsend will not:

- Provide any consulting, investment banking or other services to real estate investment managers;
- Accept any payment from managers for any purpose, including participation in our database, purchase of research, or sponsorship of conferences; or
- Sponsor or market any investment products to U.S. institutional investors, such as a fund of funds.

Furthermore, it is the policy of the firm that no employee of Townsend may invest in any real estate product that is available for investment to institutional investors

The firm adheres to the conflicts of interest standards in the AIMR Code of Ethics and Standards for Professional Conduct.

II. THE CODE OF ETHICS

The Townsend Group has adopted this Code of Ethics as our standards for the provision of all of our real estate consulting services.

Members of the Association for Investment Management and Research shall:

- Act with integrity, competence, dignity, and in an ethical manner when dealing with the public, clients, prospects, employers, employees and fellow members.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on members and their profession.
- Strive to maintain and improve their competence and the competence of others in the profession.
- Use reasonable care and exercise independent professional judgment.

III.
Statement of
The Standards of Professional Conduct

Standard I: Fundamental Responsibilities

Members shall:

- A. Maintain knowledge of and comply with all applicable laws, rules, and regulations (including AIMR's Code of Ethics and Standards of Professional Conduct) of any government, governmental agency, regulatory organization, licensing agency, or professional association governing the members' professional activities.
- B. Not knowingly participate or assist in any violation of such laws, rules or regulations.

Standard II: Relationships with and Responsibilities to the Profession

A. Use of Professional Designation.

- 1. Membership in AIMR, the Financial Analyst Federation (FAF), or the Institute of Chartered Financial Analysts (ICFA) may be referenced by members of these organizations only in a dignified and judicious manner. The use of the reference may be accompanied by an accurate explanation of the requirements that have been met to obtain membership in these organizations.
- 2. Holders of the Chartered Financial Analyst designation may use the professional designation "Chartered Financial Analyst," or the mark "CFA," and are encouraged to do so, but only in a dignified and judicious manner. The use of the designation may be accompanied by an accurate explanation of the requirements that have been met to obtain the designation.
- 3. Candidates may reference their participation in the CFA Program, but the reference must clearly state that an individual is a candidate for the CFA designation and may not imply that the candidate has achieved any type of partial designation.

B. Professional Misconduct. Members shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness, or professional competence.

C. Prohibition against Plagiarism. Members shall not copy or use, in substantially the same form as the original, material prepared by another without acknowledging and identifying the name of the author, publisher, or source of such material. Members may use, without acknowledgment, factual information published by recognized financial and statistical reporting services or similar sources.

Standard III: Relationships with and Responsibilities to the Employer

A. Obligation to Inform Employer of Code and Standards. Members shall:

1. Inform their employer, through their direct supervisor, that they are obligated to comply with the Code and Standards and are subject to disciplinary sanctions for violations thereof.
2. Deliver a copy of the Code and Standards to their employer if the employer does not have a copy.

B. Duty to Employer. Members shall not undertake any independent practice that could result in compensation or other benefit in competition with their employer unless they obtain written consent from both their employer and the persons or entities for whom they undertake independent practice.

C. Disclosure of Conflicts to Employer. Members shall:

1. Disclose to their employer all matters, including beneficial ownership of securities or other investments, that reasonably could be expected to interfere with their duty to their employer or ability to make unbiased and objective recommendations.
2. Comply with any prohibitions on activities imposed by their employer if a conflict of interest exists.

D. Disclosure of Additional Compensation Arrangements. Members shall disclose to their employer in writing all monetary compensation or other benefits that they receive for their services that are in addition to compensation or benefits conferred by a member's employer.

E. Responsibilities of Supervisors. Members with supervisory responsibilities, authority, or the ability to influence the conduct of others shall exercise reasonable supervision over those subject to their supervision or authority to prevent any violation of applicable statutes, regulations, or provisions of the Code and Standards. In so doing, members are entitled to rely on reasonable procedures designed to detect and prevent such violations.

Standard IV. Relationships with and Responsibilities to Clients and Prospects

A. Investment Process.

A.1 Reasonable Basis and Representations. Members shall:

- a. Exercise diligence and thoroughness in making investment recommendations or in taking investment actions.
- b. Have a reasonable and adequate basis, supported by appropriate research and investigation, for such recommendations or actions.
- c. Make reasonable and diligent efforts to avoid any material misrepresentation in any research report or investment recommendation.
- d. Maintain appropriate records to support the reasonableness of such recommendations or actions.

A.2 Research Reports. Members shall:

- a. Use reasonable judgment regarding the inclusion or exclusion of relevant factors in research reports.
- b. Distinguish between facts and opinions in research reports.
- c. Indicate the basic characteristics of the investment involved when preparing for public distribution a research report what is not directly related to a specific portfolio or client.

A.3 Independence and Objectivity. Members shall use reasonable care and judgment to achieve and maintain independence and objectivity in making investment recommendations or taking investment action.

B. Interactions with Clients and Prospects.

B.1 Fiduciary Duties. In relationships with clients, members shall use particular care in determining applicable fiduciary duty and shall comply with such duty as to those persons and interests to whom the duty is owed. Members must act for the benefit of their clients and place their clients' interest before their own.

B.2 Portfolio Investment Recommendations and Actions. Members shall:

- a. Make a reasonable inquiry into a client's financial situation, investment experience, and investment objectives prior to making any investment recommendations and shall update this information as necessary, but no less frequently than annually, to allow the members to adjust their investment recommendation to reflect changed circumstances.
- b. Consider the appropriateness and suitability of investment recommendations or actions for each portfolio or client. In determining appropriateness and suitability, members shall consider applicable relevant factors, including the needs and circumstances of the portfolio or client, the basic characteristics of the investment involved, and the basic

characteristics of the total portfolio. Members shall not make a recommendation unless they reasonably determine that the recommendation is suitable to the client's financial situation, investment experience, and investment objectives.

- c. Distinguish between facts and opinions in the presentation of investment recommendations.
- d. Disclose to clients and prospects the basic format and general principles of the investment processes by which securities are selected and portfolios are constructed and shall promptly disclose to clients and prospects any changes that might significantly affect those processes.

B.3 Fair Dealing. Members shall deal fairly and objectively with all clients and prospects when disseminating investment recommendations, disseminating material changes in prior investment recommendations, and taking investment action.

B.4 Priority of Transactions. Transactions for client and employers shall have priority over transactions in securities or other investments of which a member is the beneficial owner so that such personal transactions do not operate adversely to their clients' or employer's interests. If members make a recommendation regarding the purchase or sale of a security or other investment, they shall give their clients and employer adequate opportunity to act on the recommendation before acting on their own behalf. For purposes of the Code and Standards, a member is a "beneficial owner" if the member has

- a. a direct or indirect pecuniary interest in the securities;
- b. the power to vote or direct the voting of the shares of the securities or investments;
- c. the power to dispose or direct the disposition of the security or investment.

B.5 Preservation of Confidentiality. Members shall preserve the confidentiality of information communicated by clients, prospects, or employers concerning matters within the scope of the client-member, prospect-member, or employer-member relationship unless the member receives information concerning illegal activities on the part of the client, prospect, or employer.

B.6 Prohibition against Misrepresentation. Members shall not make any statements, orally or in writing, that misrepresent

- a. the services that they or their firms are capable of performing;
- b. their qualifications or the qualifications of their firm;
- c. the member's academic or professional credentials.

Members shall not make or imply, orally or in writing, any assurances or guarantees regarding any investment except to communicate accurate information regarding the terms of the investment instrument and the issuer's obligations under the instrument.

B.7 Disclosure of Conflicts to Clients and Prospects. Members shall disclose to their clients and prospects all matters, including beneficial ownership of securities or other investments, that reasonably could be expected to impair the member's ability to make unbiased and objective recommendations.

- B.8 Disclosure of Referral Fees.** Members shall disclose to clients and prospects any consideration or benefit received by the member or delivered to others for the recommendation of any services to the client or prospect.

Standard V. Relationships with and Responsibilities to the Investing Public.

- A. Prohibition against Use of Material Nonpublic Information.** Members who possess material nonpublic information related to the value of a security shall not trade or cause others to trade in that security if such trading would breach a duty or if the information was misappropriated or relates to a tender offer. If members receive material nonpublic information in confidence, they shall not breach that confidence by trading or causing others to trade in securities to which such information relates. Members shall make reasonable efforts to achieve public dissemination of material nonpublic information disclosed in breach of a duty.

B. Performance Presentation.

1. Members shall not make any statements, orally or in writing, that misrepresent the investment performance that they or their firms have accomplished or can reasonably be expected to achieve.
2. If members communicate individual or firm performance information directly or indirectly to clients or prospective clients, or in a manner intended to be received by clients or prospective clients, members shall make every reasonable effort to assure that such performance information is a fair, accurate, and complete presentation of such performance.

EXHIBIT B

DALLAS POLICE AND FIRE PENSION SYSTEM INVESTMENT CONSULTANT AGREEMENT

THIS AGREEMENT (the "Agreement"), is by and between the DALLAS POLICE AND FIRE PENSION SYSTEM, located at 4100 Harry Hines Blvd., Ste. 100, Dallas, Texas 75219 (the "System") and Townsend Holdings LLC (d/b/a The Townsend Group), located at 1660 West Second Street, Suite 450, Cleveland, Ohio 44113 (the "Consultant"), and is effective as of January 1, 2013.

RECITALS

WHEREAS, the System was created pursuant to former Article 6243a of the Revised Civil Statutes of the State of Texas and is currently governed by Article 6243a-1 of the Revised Civil Statutes of the State of Texas, and consists of the Combined Pension Plan;

WHEREAS, the System represents that it has delivered to the Consultant a true and complete copy of all relevant documents governing the System and its assets, and will promptly deliver to the Consultant copies of all future documents affecting the same. In addition to being subject to Article 6243a-1, the Board of Trustees of the Dallas Police and Fire Pension System (the "Board") and fiduciaries dealing with the System are subject to Chapters 551, 52 and 802 of the Texas Government Code (collectively herein called the "Texas Statutes");

WHEREAS, the Consultant acknowledges the applicability of the Texas Statutes to this Agreement and that the Consultant is familiar with its obligations under such statutes;

WHEREAS, the System represents and the Consultant hereby acknowledges that the System is a "governmental plan" (as later herein defined) singularly headquartered, situated, and administered in Dallas, Texas;

WHEREAS, the Consultant acknowledges that Consultant or an affiliate of the Consultant has performed services for the System after engaging in contacts with the Board and the System in Dallas, Texas and that the Consultant has also engaged in contacts with the System in Dallas, Texas as a material part of the negotiations with the System to cause the System to enter into this Agreement for the Consultant's services;

WHEREAS, the System is administered by the Board which, pursuant to the authority granted by the Texas Statutes, has the authority to contract on behalf of

the System for services in the administration, management and investment of the System's assets subject to such requirements, policies, and guidelines as the Board may impose;

WHEREAS, the Consultant advises other pension plans with regard to their investments in real estate-related investments including, but not limited to: mortgages; leaseholds; fees and other interests in realty; interests in real estate securities, trust and participation certificates and other evidences of ownership, part ownership, interest or part interest;

WHEREAS, notwithstanding the fact that the Consultant may have similar agreements with and render similar services to other parties who may be either or both non-governmental plans or parties not domiciled in Dallas, Texas, it is acknowledged by the Consultant that no such other agreements or transactions shall be deemed relevant to the remedies under or enforcement of this Agreement;

WHEREAS, the System and the Consultant wish to enter into an Agreement under which the System reappoints and the Consultant accepts such appointment as investment Consultant to the Board, effective as of January 1, 2013 to provide real estate investment consultant services; and

WHEREAS, the Board has duly voted to enter into this Agreement with the Consultant to act as a real estate investment consultant.

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND CONDITIONS AND AGREEMENTS HEREIN CONTAINED AND THE RECITALS SET FORTH ABOVE, WHICH FORM A MATERIAL PART OF THIS AGREEMENT AND OTHER GOOD AND VALUABLE CONSIDERATION, AS HEREIN PROVIDED, THE PARTIES AGREE AS FOLLOWS:

SECTION 1 AGREEMENT SITUS

The System and the Consultant acknowledge and agree that the duties, obligations, and services of the Consultant, pursuant to the terms and provisions of this Agreement, are deemed performable in Dallas, Dallas County, Texas.

SECTION 2

CONSULTANT APPOINTMENT, GENERAL DUTIES AND STANDARD OF CONDUCT

(a) (i) The term "Asset" shall mean, in general, all cash, cash equivalents, securities of all types and nature which the System places under investment management of any person or entity and assets which become part of the System's assets as a result of any transaction or accretion thereto, but with the understanding that this Agreement pertains only to those assets that are directly or indirectly invested in real estate or real estate securities or the cash or cash reserves held by real estate investment managers (the "Client Account" or "Account").

(ii) The System hereby confirms the appointment of Consultant as a fiduciary and an investment consultant for the System in connection with the investment of the Client Account.

(iii) The Consultant shall conduct all of its activities with respect to the Client Account solely in the interest of the System in accordance with the requirements placed upon certain fiduciaries by Section 802.203(a) of the Texas Government Code ("Fiduciary Standard of Care").

(iv) The Consultant shall at no time receive, retain nor control any Asset forming any part of the Client Account.

(v) The Consultant shall promptly notify the System in writing (A) if any of the representations hereof shall cease to be true at any time during the term of this Agreement, (B) of any change in Consultant's business or corporate organization or key personnel which affect Consultant's ability or potential ability to perform hereunder, (C) of any lawsuit filed against the Consultant in which advice or ethical behavior of the Consultant are at issue, in which charges of fiduciary misconduct are alleged or which may, if proven, materially impair the ability of the Consultant to perform under this Agreement, or (D) of any material adverse change in the Consultant's financial condition.

(vi) If the Consultant is unable to act, or if the System reasonably believes the Consultant is unable to act, in any matter by reason of any conflict of interest whether between the Client Account and any other venture advised or managed by the Consultant and its affiliates or partners or otherwise, the System shall be immediately advised by the Consultant and, after consultation with the Consultant the System may either appoint an independent fiduciary, or terminate this Agreement effective immediately, notwithstanding the notice and time

provisions in Section 11 below. If such independent fiduciary is appointed, the Consultant shall be entitled to follow the direction of such fiduciary and shall not be liable for following such advice or for a System decision not to follow such independent fiduciary's advice.

(vii) The System hereby authorizes the Consultant:

(A) if necessary, to attend to legal matters in connection with performance of this Agreement by retaining appropriate counsel, which may be counsel to the System or the Consultant in other matters, and the taking or causing to be taken such acts as, in the reasonable and prudent judgment of the Consultant and when deemed appropriate, upon written advice of counsel (which need not be a legal opinion, but a copy of which shall be provided to the System), as are necessary or appropriate to comply, in all material respects, with all applicable laws, rules, and regulations;

(B) to make, execute, acknowledge and deliver or to cause all documents and instruments that may be necessary or desirable to be properly executed in order to carry out any of the Consultant's powers or authority, and to do all such acts as may be desirable or necessary to protect, preserve or exercise the System's rights of ownership or otherwise in the Client Account, without advertisement and without order of court, and without having to post bond or make any returns or reports of its doings to any court;

(C) to maintain appropriate records of the Client Account, which records shall be open to inspection by the System or its authorized representatives at the principal office of the Consultant or Custodian, as applicable, with reasonable prior written notice and during normal business hours; all such books and records relating to the Assets being the property of the System.

(viii) Personnel or agents of the Consultant who are directly or indirectly responsible for performing services under this Agreement will be covered by the Consultant under an errors and omissions insurance policy and a fidelity insurance policy as described at Subsections 4(d) and 4(e).

(b) The System hereby appoints the Consultant as an investment consultant in connection with the Client Account to provide the following research, documentation and other services:

(i) Undertake searches to identify and evaluate manager candidates and make selection recommendations;

(ii) Prepare due diligence reports on both individual properties and commingled funds; partnerships, private equity, REITs, and other real estate related investments owned by or being considered by the System provided, however, that due diligence reports for assets acquired through separate accounts will focus on compliance with System's policies and guidelines, real estate strategic investment plan and practice routinely followed in the industry;

(iii) Develop performance-based or other appropriate fee structures, in appropriate circumstances, and negotiate along with the System staff, fees with investment managers;

(iv) Prepare for approval written guidelines which include risk and return expectations for each separate account real estate investment manager as well as use of leverage;

(v) Monitor the investment performance by individual property, by manager and by asset class and compare them to established benchmarks. Accurate reports, including the report for the final period of time covered by this Agreement, to be issued quarterly within 90 days of the end of each calendar quarter to include the year ending December 31 all subject to reasonable delay, if any, occasioned, through no fault of Consultant, by any failure of the System's Investment Manager(s) to deliver usable data to Consultant. Reports are to be sent electronically and in hard copy in a form suitable to the System;

(vi) evaluate and monitor each real estate investment manager by reviewing such items as ownership structure, personnel turnover, public announcements, change of ownership, ADV reports on file with the SEC, and other relevant information that ensures firm stability and integrity;

(vii) Periodically compare and rank total System real estate performance against available universe of other similar Consultant clients on a blind basis, as requested;

(viii) Monitor the characteristics of individual managers' accounts over time;

(ix) Assess the "value added" by managers in their pursuit of investment strategies;

(x) Provide assistance in preparing periodic reports for publications authorized by the Board;

(xi) Document the Consultant's recommendations with quantitative and qualitative analyses, of the quality appropriate to fiduciary advisors with premier national reputations and provide reasonable access, excluding weekends and holidays (but such exclusion not to prohibit contact for bona fide emergencies) to individual consultants;

(xii) At the request of the Administrator, appear before state and/or local government boards to provide informational presentations regarding pension and real estate investment issues, with additional compensation for time and travel expenses;

(xiii) Monitor and report on real estate market trends and periodically update investment policy and objectives to reflect changes in the capital markets;

(xiv) Provide any other reports as are agreed to by the parties;

(xv) Make all recommendations definitive and in writing;

~~(xvi) Exercise its best efforts to send all reports to the System's office in electronic format at least eight (8) days prior to their scheduled presentation to the Board;~~

(xvii) Meet with the representatives of the System on a regular basis, not less frequently than quarterly;

(xviii) To monitor the occurrence or existence of potential causes for disposition of an interest in real property; and

(xix) With respect to each interest in Real Property held in the Client Account, require that all of the Systems' real estate investment managers report to the Consultant periodically in accordance with procedures set forth by the Consultant and inform the System's staff of any difficulty in obtaining compliance.

(c) The System may make additions to and withdrawals from the Client Account; provided, however, that the Consultant shall be given prompt written notice thereof by the System or its delegate.

(d) The System represents that, except as the Consultant has been informed in writing to the contrary, there is no restriction under the documents respecting the System and its assets which would prevent or limit investment of assets of the System in any manner whatsoever and that if any such restriction should be effected, the Consultant shall be promptly informed in writing as to the nature and extent of any such restriction.

(e) The System acknowledges that the Client Account represents only a portion of the assets of the System and that the System now holds and may in the future acquire assets other than through the Client Account. The parties agree that the Consultant shall have no responsibility or liability in the selection of assets other than for the Client Account, or otherwise regarding the System's investment policies or strategy, overall portfolio composition, or diversification of the System's investments, save and except for policies, strategies and composition of Assets within the Client Account. Further, the System represents that to the extent there is any restriction (whether created by the System documents, applicable law or otherwise) as to the percentage of any such System's assets which may be invested in any type of property, the System, and not Consultant, shall, except as otherwise provided pursuant to this Agreement and any attachment hereto, be responsible for ensuring that the System's investments (including Assets in the Client Account) do not, individually or in the aggregate, violate such restrictions.

SECTION 3 CUSTODY

The Consultant shall not have custody, possession or control of any assets (including cash) in the Client Account and nothing contained herein shall be deemed to authorize the Consultant to take or receive possession of, or otherwise perform any custodial duties with respect to, any assets of the Client Account.

SECTION 4 CONSULTANT'S STATUS AND REPRESENTATIONS

(a) Consultant acknowledges that, without limitation, it is a fiduciary with respect to the performance of its duties herein for the Board and for the System; and such duties include, without limitation, the obligation to affirmatively disclose information of which the Consultant has actual knowledge which may materially

impact the investment of the System in the Client Account (materiality to be determined based on the particular investment and without regard to the total value of the System's other assets). The Consultant further acknowledges and agrees that all actions of the Consultant shall conform to the Texas Statutes.

(b) The Consultant represents that it is in the business of advising institutional investors with respect to the hiring of real estate investment managers, evaluating their construction and management of real estate portfolios will assign highly skilled individuals to perform its duties under this Agreement and provide those individuals with adequate resources to perform their assigned tasks to the best of their abilities.

(c) The Consultant shall promptly notify the System if any of the representations of this Section shall cease in any material respect to be true or if there is any change of the directors, senior officers or other employees who exercise discretion or render advice with respect to investment of the Assets at any time during the term of this Agreement.

(d) The Consultant will provide evidence of an adequate fidelity bond from an insurer satisfactory to the System in an amount not less than One Million Dollars (\$1,000,000.00). All costs of the premiums and payment of deductibles of such fidelity bond will be paid by the Consultant, not the System, although a copy of the bond and periodic evidence of its existence shall be provided by the Consultant to the System.

(e) Consultant will maintain a business continuity plan.

SECTION 5

SYSTEM'S AUTHORITY TO CONTRACT AND OBLIGATION TO PROVIDE INFORMATION

(a) The System represents and confirms that the hiring of the Consultant is authorized by the Texas Statutes and documents governing the System, that the terms of this Agreement have been duly authorized and, when executed and delivered, will be binding on the System in accordance with its terms and at least one of the signatories on behalf of the System is a named fiduciary under the documents governing the same.

(b) The System will provide Consultant with such non-confidential information as Consultant may reasonably request.

SECTION 6 COMPENSATION

The compensation of the Consultant as investment Consultant shall be such as is set forth on Exhibit "A," a copy of which is attached hereto and made a part hereof, except that no change in fees shall be effective unless and until a written agreement as to any such change is reached between the Consultant and the System. Payment to the Consultant shall be made at such times and in such amounts as determined under Exhibit A. If this Agreement is terminated all fees due to the Consultant shall be prorated to the date of termination. In addition, the Consultant will be entitled to reimbursement for those expenses, if any, set forth on Exhibit A.

SECTION 7 EFFECT OF ADVICE TO CONSULTANT'S OTHER CLIENTS

(a) It is understood by the System that the Consultant (and possibly affiliates of the Consultant) will be acting in an investment consultant or adviser capacity for other clients. Nothing in this Agreement shall be construed to restrict the right of the Consultant or such affiliates to perform other services for any other person or entity. Further, this Agreement shall not be deemed to restrict in any way the freedom of the Consultant or its affiliates to conduct any other business venture of any nature or to make investments for its own accounts or the accounts of any other person or entity. Further, no such other service or relationship shall, by itself, give rise to any duty or obligation to the System with respect thereto; provided, however, that the System is not by these terms prevented from comparing the Consultant's conduct with regard to other accounts in evaluating the Consultant under this Agreement.

(b) The Consultant, its affiliates and personnel may choose to manage and invest their personal portfolios differently than those of clients, and may have investments or make investment transactions in the same or similar securities held by clients.

(c) The Consultant may also be rendering services similar to those services being rendered under this Agreement to entities co-investing with the System in Real Property. Barring a breach of the Fiduciary Standard of Care, to the extent a conflict arises between the co-investors of any interest in Real Property and either co-investor requests that the Consultant resigns as its fiduciary, the Consultant shall not be deemed to have violated its fiduciary obligation to the System if the Consultant resigns as the investment Consultant to any co-investors

with respect to such individual real property (and only with respect to such individual real property) and retains the System as its client.

(d) The parties acknowledge that the advice of the Consultant to other clients and entities and the action of the Consultant for those other clients are frequently premised not only on the merits of a particular investment but on the suitability of that investment for the particular investor in light of its applicable investment guidelines and circumstances, and thus any action of the Consultant with respect to a particular investment may differ from either the recommendation, advice, and/or actions of the Consultant to, or on behalf of, other clients, even though the investment objectives may be the same or similar.

SECTION 8 CONFIDENTIALITY OF ADVICE

In order to protect the value of the Consultant's services to the System and to others to whom it may render similar services, all advice furnished hereunder and all information as to transactions for the Client Account shall be treated as confidential for a reasonable period of time after being rendered and, during such time, shall not be disclosed to third parties except as may be required by law or otherwise appropriate to carry out the purposes of this Agreement. The Consultant acknowledges that the records of the System are, however, subject to public disclosure under Chapters 551 and 552 of the Texas Government Code, commonly referred to as the Open Meetings Act and the Public Information Act.

SECTION 9 LIABILITIES AND INDEMNIFICATIONS

(a) The Consultant and its shareholders, directors, officers, employees, or any person acting for or on its or their behalf shall not be liable for any error of judgment or any loss arising out of any investment of the Client Account unless there is a loss resulting from: (i) the failure to adhere to any of its obligations as set forth in this Agreement, including but not limited to meeting the Fiduciary Standard of Care; (ii) negligence; (iii) willful misconduct; or (iii) bad faith.

(b) Notwithstanding the provisions of Section 9(a), the Consultant shall indemnify and hold harmless the System, the Board, the Trustees and the System's employees from and against any and all losses, claims, damages, costs, expenses and liabilities, including reasonable attorneys fees and expenses incurred in the course of any threatened or actual litigation, arbitrations or administrative proceedings brought by a member, beneficiary, governmental agency or any other

person, resulting from or which may arise out of the bad faith, negligence, material breach of the Fiduciary Standard of Care under this Agreement, or willful misconduct on the part of the Consultant, its shareholders, directors, officers, employees, or any person (other than an independent contractor) acting for or on its or their behalf (hereinafter referred to as "Consultant's Wrongful Acts"), arising from, on account of, or in connection with the performance of or by the Consultant as they relate specifically to the management of the Client Account. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith; nothing in this Agreement shall constitute a waiver or limitation of any rights which the System may have under applicable federal or state securities laws. If the Consultant: (i) concedes liability to the System for Consultant's Wrongful Acts; or (ii) is found by a court of competent jurisdiction to be liable to the System for Consultant's Wrongful Acts, the Consultant shall then, in addition to the indemnification above, be liable for the reasonable attorneys' fees and expenses, if any, incurred by the System in connection with the enforcement, if necessary, of the obligations of the Consultant to indemnify the System hereunder. Consultant shall have no duty, responsibility or liability whatever with respect to any of the System's assets or property not contained in the Client Account.

(c) The parties agree to cooperate fully in responding to or the defense of any threatened or actual claims which arise out of any action taken by the Consultant pursuant to this Agreement. For the indemnification and hold harmless provisions of Section 9(b) above to apply, the parties shall inform each other promptly of any claims threatened or made against the System, and/or the Consultant, whereupon the Consultant shall (with the consent of the System and upon such terms and conditions as may then be reasonable, such consent not to be unreasonably withheld or delayed) be entitled to assume full responsibility (including, without limitation, choice of counsel) for contesting, defending, or litigating any matter for which indemnification is claimed.

(d) The System shall indemnify and hold harmless the Consultant, its shareholders, directors, officers and employees, from and against all losses, claims, damages, costs, expenses and liabilities, including reasonable attorney's fees and expenses incurred by or on behalf of Consultant resulting from or arising out of any act of the Consultant acting or having acted as the Consultant hereunder incurred in the course of any threatened or actual litigation, arbitrations or administrative proceedings brought by a member, beneficiary, governmental agency or any other person, provided Consultant is not otherwise made whole by any third party including any insurer, except by reason of the Consultant's Wrongful Acts. As a condition of the System's obligation to indemnify the Consultant under this Section

9(d), the System shall have the right to approve counsel to represent the Consultant and the terms of such legal contract as relates thereto, which approval shall not be unreasonably withheld or delayed, and the Consultant shall cooperate fully with the System with respect to the defense of any such claim. Further, for the indemnification and hold harmless provisions of this Section 9(d) to apply, the parties shall inform each other promptly of any claims threatened or made against the System, and/or the Consultant, whereupon the System shall (with the consent of the Consultant and upon such terms and conditions as may then be reasonable, such consent not to be unreasonably withheld or delayed) be entitled to assume full responsibility for contesting, defending, or litigating any matter for which indemnification is claimed, and Consultant shall be released from all liability.

(e) So long as the Consultant follows those written directions of the System or its delegate in accordance with this Agreement, the Consultant shall not be liable for any losses or damages incurred by reason of the Consultant's compliance with such directions unless such losses were caused by the Consultant's or its employee's Wrongful Acts in carrying out such directions, and the Consultant shall be indemnified and held harmless in accordance with Section 9(d) above in such instance. Notwithstanding the foregoing, the Consultant shall not be exculpated from liability under the provisions of this Section 9(e) if the Consultant, at a senior level of management or on the part of an individual directly participating in the servicing of the Client Account, has information in its possession which leads the Consultant to believe that such an investment would likely have a material adverse effect on the Client Account and the Consultant fails to notify the System in writing of such information.

(f) The parties agree that they are not agents for the other party with respect to the settlement of any dispute and thus cannot bind the other party hereto to contractual liability by virtue of any settlement without such party's written consent. However, the preceding sentence does not restrict any party from settling a dispute on its own behalf after reasonable notice to the other party and subsequently attempting to seek indemnification under the terms hereof. Notwithstanding anything contained in this Section 9, any named defendant may, at its own cost, hire its own counsel even if it does not control the litigation.

(g) The mere existence of any right of the Board or System set forth in this Agreement, without more, shall not impose a duty to exercise such right and further if such right is not exercised, it shall not relieve the Consultant of any obligation hereunder or as a matter of law.

(h) In the event (1) the Consultant engages counsel to give advice to the Consultant with regard to action or inaction related to the Consultant's or any other person(s)' obligations under this Agreement and (2) the reasonable fees and cost of such advice are borne directly (or indirectly in any surcharge intended to cover the cost of such advice) by the System, the Consultant will inform such counsel of and provide counsel with a copy of this Agreement or at least this Subsection 9(h) and counsel in order to be entitled to any such fee(s) for such services agrees to be bound by this Section. Copies of all written communications prepared by the counsel for the Consultant for the benefit of the System will be provided to System upon request. It is the intent of the parties to this Agreement by this Subsection 9(h) that if such counsel is retained and renders advice which forms the basis, in whole or in part, of any action or inaction affecting the System under this Agreement that the System is considered by all parties and by such counsel to be a client of the counsel and a third party beneficiary of the relationship between counsel and the Consultant. The System, in its own right is entitled to assert its own independent cause of action as a client and have standing in any proceeding which questions the propriety of the advice given or asserts a claim arising out of the action or inaction of such counsel notwithstanding the laws of any jurisdiction to the contrary. By proceeding thereafter, counsel who has been retained in accordance with the foregoing provisions of this Section 9(h) agrees that the System may properly bring a cause of action against it for breach of contract, negligence or malpractice.

SECTION 10 ANNUAL CERTIFICATION

Upon execution of this Agreement, during each October during the life of this Agreement and upon termination of the Agreement, Consultant will give System a certification signed by the person serving as its chief executive officer, chief operating officer or chief compliance officer that as of the date of the certification and at all times during the preceding contract year that:

(a) all of Consultant's recommendations have been made in accordance with the applicable fiduciary standards of care;

(b) Consultant has neither accrued nor received any direct or indirect benefit in violation of Exhibit A of this Agreement;

(c) all representations and warranties made in this Agreement are correct;

(d) Consultant has maintained all insurance and bonds required under the Agreement;

(e) Consultant has promptly reported all information required under Section 4(a) above; and

(f) Consultant has complied with Exhibit B hereto and Consultant's Code of Ethics attached hereto as Exhibit D.

SECTION 11 REQUEST FOR PROPOSAL REPRESENTATIONS

Those written and oral representations and inducements made by the Consultant to the System at any Board meeting held and duly called shall constitute a material inducement to enter into this Agreement, and this Agreement with such representations being deemed incorporated herein by reference as so constituted is the entire understanding between the parties with respect to the subject matter hereof.

SECTION 12 TERM OF THIS AGREEMENT, AMENDMENT, ASSIGNMENT OR TERMINATION

This Agreement may be terminated at any time by mutual consent. This Agreement will terminate at 5:15 p.m. Central Time thirty (30) days, without penalty, after written notice of intent to terminate has been given by the System in accordance with Section 17. The System also has the absolute right to terminate this Agreement, without penalty, within five (5) business days of receipt of Form ADV Part II, or the equivalent information from Consultant. The Agreement will terminate at 5:15 p.m. Central Time sixty (60) days, without penalty, after written notice of intent to terminate is given by Consultant in accordance with Section 18. Any such termination shall not affect any obligation or liability of either party to each other (including, but not limited to, fees accrued but unpaid to the Consultant as of the date of such termination) or any obligation or liability that the Consultant may have incurred with third parties pursuant hereto for transactions entered into or obligations incurred prior to termination. Following the notice of any intent to terminate hereunder, the Consultant shall perform all of its obligations hereunder in good faith as directed by the System, including the timely filing of all reports covering the final period covered by the Agreement, and will cooperate fully with the System, at the System's cost, in taking all necessary or appropriate steps in order to effectuate the orderly transfer of all relevant functions and information to

third parties designated by the System. If the termination of this Agreement is effective during any period of time for which the Consultant has not been compensated, the fee due to the Consultant for such period shall be prorated to the date of termination. This Agreement may not be amended except by a writing expressly so providing, signed by each of the parties hereto. This Agreement may not be assigned (to the extent relevant and different from the generally accepted definition, for purposes of certain minority interest changes in the Consultant, as that term is defined under the Investment Advisers Act of 1940) by either party without the prior written consent of the other party, and any purported assignment without consent shall be void.

SECTION 13 SURVIVAL OF RIGHTS AND OBLIGATIONS

Notwithstanding anything to the contrary contained herein, each party's rights and obligations under Sections 8, 9, 10 and 13 shall survive the termination of this Agreement.

SECTION 14 SYSTEM ACKNOWLEDGMENT OF RECEIPT OF PART II OF ADV

The System will acknowledge, upon its receipt of copies of Part II of the Consultant's Form ADV or a separate brochure which, the Consultant represents, contains the same information as in such Part II. Consultant agrees to notify the System of any material change of Consultant's ownership, senior management, or material impairment of its financial condition, or any other material change in the nature of the Consultant's principal business activity.

SECTION 15 SEMINARS

In the event the Consultant conducts investment and/or pension plan related seminars, training sessions, or similar events which are generally made available to clients of the Consultant, the System shall be invited to send two (2) representatives. The Consultant will pay the System's cost of such events, meals, and lodging expenses only to the extent commensurate with the payment of such expenses for other clients of the Consultant, and only to the extent that the payment of such expenses does not violate all applicable ethics rules, laws, ordinances, statutes, rules, regulations and orders of governmental authorities, including those having jurisdiction over the Consultant's registration and licensing to perform services hereunder.

SECTION 16

LAWS AFFECTING AGREEMENT; VENUE AND JURISDICTION

(a) This Agreement shall be construed in accordance with and subject only to the laws of the State of Texas except to the extent preempted by federal law(s), if any, other than the Employee Retirement Income Security Act of 1974, as amended, which does not pertain to the System, a governmental plan.

(b) Notwithstanding that any questions of law or fact in such dispute and any other dispute which may be common with respect to any other contract or arrangement between the Consultant and any other parties which whom the Consultant may have in the past or may in the future have a similar contractual or other relationship, the Consultant agrees that in any dispute between the parties hereto that the Consultant shall not be entitled to seek a stay, transfer, or consolidation with any other dispute(s) then pending or thereafter brought by any party involving the Consultant and any third party not party to this Agreement; provided, however, that this Agreement shall not be construed to prohibit such other litigation from being transferred to the court in which the dispute between the parties hereto is pending and then consolidated into such suit.

(c) Venue for any action arising from this Agreement, including but not limited to matters concerning validity, construction, performance, or enforcement, shall lie exclusively in the state or federal courts located in the City of Dallas, Dallas County, Texas. The parties stipulate and agree that they are subject to personal jurisdiction in Dallas County, Texas. This paragraph is intended to fix the location of potential litigation between the parties and does not create any causes of action or waive any defenses or immunities to suit.

SECTION 17

NOTICES

Instructions with respect to the Client Account transactions may be given orally to the Consultant by the System's Administrator or the Assistant Administrator - Investments, provided in due course a written confirmation by email, is sent and that electronic confirmation is received by the System. Unless otherwise expressly provided to the contrary, any notices provided for hereunder shall be by email. Notices will be deemed given and effective upon receipt or rejection thereof, to the following addresses:

If to the Consultant:

The Townsend Group
1660 West Second Street
Suite 450
Cleveland, Ohio 44113

Email: rbrown@townsendgroup.com
mrosenberg@townsendgroup.com

If to the System:

Dallas Police & Fire Pension System
4100 Harry Hines Blvd., Ste. 100
Dallas, Texas 75219

Email: investments@dpfp.org

or to such other address as either party may furnish in writing by notice hereunder to the other party. In performing its duties under this Agreement, the Consultant may rely on any written notice believed by the Consultant in good faith to be genuine or to be signed by the proper person or duly authorized and properly made.

SECTION 18 AGREEMENT DIVISIBLE

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held contrary to express law or shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remainder of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement. A provision determined to be invalid or unenforceable shall be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable. It is expressly understood and agreed, however, the intent of the parties is to be bound by all the terms hereof and each party has been represented by counsel in its evaluation, deliberation and negotiations regarding those terms hereof.

**SECTION 19
NON-WAIVER**

The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by any other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

**SECTION 20
COUNTERPARTS**

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

* * *

[Remainder of page left intentionally blank. Execution page follows.]

IN WITNESS WHEREOF, this Agreement has been executed this 10th day of October, 2013, and is effective the day first above written.

THE DALLAS POLICE AND FIRE
PENSION SYSTEM

By: Richard L. Tettamant

Name: Richard L. Tettamant

Title: Administrator

TOWNSEND HOLDINGS LLC

By: Joseph P. Olszak

Name: JOSEPH P. OLSZAK

Title: CHIEF OPERATING OFFICER

APPROVED AS TO FORM:

Joshua Mond
Joshua Mond, General Counsel

EXHIBIT A

FEES AND OTHER COMPENSATION

1. System shall pay Consultant an annual fee of 1.5 basis points on the first \$1 billion dollars of assets monitored by the Consultant (valued on a gross basis without deducting any System-level indebtedness applicable to any asset) and 1.2 basis points on any such assets monitored in excess of \$1 billion, with payments to be made quarterly in arrears based upon the quarterly report of the System's custodian bank. The foregoing annual fee shall be subject to a minimum annual fee of \$200,000 (paid quarterly). Exhibit E is included as an example of the calculation described above. Assets monitored shall be those listed by the System in its real estate portfolio and shall also include the System's agricultural and timber holdings, the System's investments in Lone Star Fund VII and Lone Star Fund VIII and the System's investment in Red Consolidated Holdings.

2. Consultant's fee normally covers its expenses in the performance of this Agreement. The System will, though, reimburse documented, reasonable expenses incurred by the Consultant for making site visits at the request of the System.

3. System will issue each quarterly payment as soon as administratively practicable, but not more than 30 days after receipt of Consultant's invoice.

4. Consultant will not receive from any third party with whom the System is doing business or is on a short list of prospective persons with whom the System may do business, including but not limited to any investment manager, real estate manager, real estate investment trust or real estate operating company, limited or general partnership, limited liability company or other business entity, or any officer, shareholder or director or independent marketing consultant for any of the above entities, any direct or indirect compensation for services, gift (other than the cost of meals and related entertainment) or award whether in the form of cash, services, or other payment which might impact or influence or present the potential appearance of influencing its duties under this Agreement.

5. Consultant will not pay or provide to any third party with whom the System is doing business including any officer, shareholder or director or independent marketing consultant for any third party, any direct or indirect compensation for services, gift (other than the cost of meals and related entertainment not exceeding \$250.00 in any one quarter) or award whether in the form of cash, services, or other payment which might impact or influence or

present the potential appearance of influencing such third party and or the System with regard to the services of Consultant or this Agreement.

6. The Consultant shall not be prohibited from making contributions to tax exempt organizations that generally support the interest of public employees or from making *de minimus* political contributions to state and local elections in Texas.

7. Consultant will, in addition to complying with paragraphs 4 and 5, above, comply with any additional requirements of the System's Contractors Code of Ethics attached as Exhibit C and made a part of this Agreement for all purposes. Any changes in the Code of Ethics adopted by the System will apply to the actions of Consultant thirty (30) days after Consultant is notified of the modification.

THE DALLAS POLICE AND FIRE
PENSION SYSTEM

By: 

Name: Richard L. Tettamant

Title: Administrator

TOWNSEND HOLDINGS LLC

By: 

Name:

Title:

JOSEPH P. OLSZAK
CHIEF OPERATING OFFICER

APPROVED AS TO FORM:



Joshua Mond, General Counsel

EXHIBIT B

CONFLICT OF INTEREST POLICY

"Pay-to-Play" Standards

We firmly believe that investment counsel must be without any taint of bias or conflict with your interests. Therefore, it is our policy that the Consultant will not, except as set forth below:

- Provide any consulting, investment banking or other services to real estate investment managers; or
- Accept any payment from managers for any purpose, including participation in our database, purchase of research, or sponsorship of conferences;

If the Consultant shall provide such services, then the Consultant shall advise the System if the provision of such services at any time shall cause a potential conflict of interest prior to the rendering of any advice to the System by the Consultant with respect to any matter. Townsend shall indemnify the System for any additional costs the System may incur as result of any such potential conflict of interest, which amount of such indemnification shall not exceed an amount calculated as the Consultant's fee (set forth on Exhibit A) for a one month period using the prior calendar month for purposes of such determination.

Furthermore, it is the policy of the firm that no employee of the Consultant may invest in any real estate product that is available for investment to institutional investors except in accordance with Consultant's Code of Ethics.

EXHIBIT C

Dallas Police and Fire Pension System's Contractor Code of Ethics

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS, TEXAS CONTRACTOR'S STATEMENT OF ETHICS

Adopted January 11, 1996 As amended through September 10, 2007

I. SCOPE AND OBJECTIVES

The Board of Trustees (the "Board") of the Dallas Police and Fire Pension System and the Supplemental Police and Fire Pension Plan of the City of Dallas, Texas (collectively referred to as the "System") adopts and shall enforce this Statement of Ethics to serve as guidance to the System as well as to persons who provide, or actively seek to provide, goods or services to the System (referred to herein as "Contractors"). This Statement of Ethics will apply to all Contractors in the performance of their respective duties and activities and is intended to instill and maintain a high level of confidence in the relationship between the System and the Contractors, as well as maintaining the confidence of the general public and government officials in the System, its Board and the Contractors.

This Statement of Ethics will provide assistance in clarifying certain obligations of the Contractors in carrying out their duties and obligations. Contractors are always expected to obey applicable law and to file any reports that may be required by Texas or Federal statutes. Should there be any conflict between this Statement of Ethics and state law, the state law will prevail.

Contractors must be honest in their dealings with the System and such other persons with whom they have dealings in the course of involvement in the System's matters, and must be loyal to the System to the extent such loyalty is not in conflict with other legal duties which are perceived to take precedence, provided in the event of any perceived conflict the Contractor shall advise the Administrator in writing of same.

II. DEFINITIONS

A. **Benefit** – means anything reasonably regarded as economic gain or advantage.

B. **Business Relationship** – means any employment relationship or any other commercial connection between two or more parties that results in taxable income, other than investment income, to one or more of the parties. However, a Business Relationship does not arise as a result of one or more transactions conducted at a price and subject to the same terms available to the public or a transaction that is subject to rate or fee regulations by a government entity.

C. **Contractor** – means any person, whether an individual, partnership, corporation or other organization that provides, or actively seeks to provide, real property, goods or services to the System or any System Representative to be used in the performance of the

System's functions. Services means skilled or unskilled labor or professional services, including but not limited to, custodianship of funds, management of investments, advice with regard to investments and/or investment manager(s), maintenance of official records, the provision of professional advice and other System related services.

- D. **Employee** – means any employee of the System, including, but not limited to, the Administrator, Assistant Administrator, Chief Financial Officer, General Counsel, and their staff, if any.
- E. **Family Member** – means a parent, child (whether or not a minor), spouse, step child, mother-in-law, father-in-law, son-in-law or daughter-in-law.
- F. **Fiduciary** – means any person who: (i) exercises any discretionary control over the management of the System or any authority or control over the management, investment or disposition of the System's Assets; (ii) renders investment advice for a fee or other compensation, directly or indirectly, or has any authority or responsibility to do so; (iii) has any discretionary authority or discretionary responsibility in the administration of the System in the determination, application, approval or denial of benefits; or (iv) has been designated by the Board as a Fiduciary and has agreed to such designation in the performance of certain duties for or on behalf of the System. It is, however, recognized that the System's attorneys, actuary and accountant do not exercise the type of discretion or control over the management of the System that would make them Fiduciaries for purposes of this definition.
- G. **Gift** – means, generally, anything of economic value given without adequate consideration including, but not be limited to, any payment of cash, goods or services. However, Gift shall not include travel expenses or meals, refreshments, receptions and entertainment provided to another person as a guest when the host is present.
- H. **Investment Income** – means dividends, capital gain or interest generated from: (i) a personal or business checking account, share draft or share account or similar account; or (ii) a personal or business investment, or (iii) a personal or business loan.
- I. **Substantial Interest** – means: (i) ownership of ten percent or more of the voting stock, shares, or equity interest of an entity or investment; (ii) ownership of ten percent or more of the fair market value of an entity or investment; or (iii) receipt of ten percent or more of gross income in any twelve month period from an entity or investment. With regard to real property, a substantial interest is an equitable or legal ownership with a fair market value of \$2,500 or more. A person is considered to have a substantial interest in an entity or investment if a Family Member of that person has a substantial interest in that entity or investment.
- J. **System Representative** – means any Trustee, Employee, Contractor or agent of the System.
- K. **Trustee** – includes any person who has been elected or appointed as a Trustee of the System under Article 6243a-1 of the Revised Civil Statutes of Texas and has agreed, by acceptance or act, to serve as a Trustee of the System.

III. GENERAL DUTIES

- A.** The System is to be administered solely in the interest of the System's members, pensioners and their qualified survivors for the exclusive purpose of providing benefits to such members, pensioners and eligible survivors, and defraying reasonable expenses of the System.
- B.** All Contractors must comply with all applicable laws, maintain proper ethical standards of behavior, and be honest in their dealings with the System, its members, pensioners and eligible survivors, other Contractors, and government officials.

If there is a question concerning the applicability of this Statement of Ethics to the duties or activities of a Contractor, such Contractor must disclose the facts concerning the contemplated activity to the Board for the Board's review and approval.

IV. PROHIBITED CONDUCT

- A.** No Contractor will make any Gift or campaign contribution, or pay anything of substantial economic value, or offer to make any Gift or campaign contribution or pay anything of substantial value to any Trustee, person who is running for a position as a Trustee, Employee or Family Member of any of the foregoing in connection with a campaign for a Trustee position or for any public office.
- B.** The Contractor will not lend money to any Trustee, any person who is running for a position as a Trustee, or any Employee, unless such Contractor is normally engaged in such lending in the usual course of its business; and then only if such loan or credit is generally available to the public and other members, pensioners or qualified survivors of the System and the terms of such loan are those customarily offered to others under similar circumstances to finance usual and customary activities.

V. EXERCISE OF DUTIES

- A.** In making or participating in decisions, subject to its contractual obligations and limitations thereupon, the Contractor may be obliged to make a determination that the particular course of action is reasonably designed, either standing alone or as part of the overall objectives of the System, to further the purposes of the System.
- B.** A Contractor (including management level employees of the Contractor) with a Substantial Interest in an entity in which the System invests or with respect to which the System does business must fully and promptly report such interest to the Administrator.
- C.** A Contractor who, directly or indirectly, has a personal, private commercial, or business relationship unrelated to the services that the Contractor performs for the System, with any other System Representative that could reasonably be expected to diminish the Contractor's independence of judgment in the performance of the Contractor's responsibilities to the System shall promptly disclose that relationship in writing to the Administrator.

- D. No Contractor will knowingly participate in the breach of any duty by another System Representative or participate in concealing such breach. If a Contractor has knowledge of such a breach or a prospective breach, such Contractor has a duty to notify the Administrator of same in writing.
- E. It is understood that Contractors may contact Trustees or Employees to provide information believed to be pertinent to a matter. In light of the preceding, the Trustees will endeavor to keep an open mind on all matters properly the subject of Board deliberation. Pending such deliberation, no remark of any Trustee can be construed as any commitment to any person or firm regarding his or her vote or the Board's ultimate decision.
- F. Trustees and Employees will, as accurately as possible, relay information they receive from Contractor(s) to the Board to permit full and open consideration of the subject matter of such information. This Paragraph is not intended in any way to restrict the administrative role of the Trustees to set the Board's agenda or otherwise be involved in the proper administration of the System.

VI. CONCURRENT BUSINESS RELATIONSHIPS

It is recognized that one or more Contractors may have other clients in common and may also render arms-length services to another Contractor. If such relationships are not intended to influence either Contractor with regard to the System, they will not be in violation of this Statement of Ethics; provided, however, that the existence and nature of such business relationship (including any economic relationship which bears upon the services rendered to the System) is disclosed to the Administrator in writing.

VII. TRAVEL AND RELATED EXPENSES

- A. It is the policy of the Board that the expenses of travel, lodging and meals for Trustees and Employees traveling on business of the System will be paid by the Contractor when it is the general practice of the Contractor to pay such expenses for other public retirement systems. Contractors must not provide anything of material value to a Trustee or Employee for the purpose of attending any conference, convention, seminar or other business meeting except for the payment of the travel or related expense as provided above, as well as generally provided and available entertainment events sponsored at such conferences, conventions, seminars or other business meetings. *De minimus* promotional materials or randomly selected "door prizes" may be accepted by Trustees and Employees attending such events. However, the promotional materials and door prizes are treated as Gifts and will be subject to the reporting requirements of Section IX.B. below if their aggregate value to one person and the person's Family Members exceed \$250 in any one twelve month period.
- B. Notwithstanding anything elsewhere herein, a Trustee or Employee is prohibited from accepting any travel expenses from a Contractor where the clear purpose of such expense is to affect the determination of the selection of a new Contractor or to affect the determination of the assignment or continuation of, or additional business to, an existing Contractor.

VIII. MISCELLANEOUS – BIDS AND PROPOSALS

- A. Other than social conversations, a Contractor must not knowingly have direct or indirect contact with Trustees once the Board has decided to obtain bids or proposals from said Contractor. Notwithstanding the preceding, and unless otherwise in violation of this Statement of Ethics, contact (including contact during a meal) regarding existing business and current matters between a Contractor and a Trustee is permissible.
- B. A Contractor must not entertain a Trustee or Employee during the bid and proposal period for the Contractor.
- C. If necessary to properly conduct the bid processes the Contractor may have conversations with Employees regarding such bid process. Questions concerning the bid and proposal process will be addressed in accordance with Board approved procedures. It is strongly recommended that all such communications be made in writing. Copies of such writings will, generally, be given to all other bidding Prospective Contractors by the System.

IX. CONTRACTS AND REPORTING REQUIREMENTS

- A. All contracts with Contractors, by affixing this Statement of Ethics as an exhibit thereto, will include a requirement that thereafter records will be maintained and filed annually with the System which reflect:
 - 1. any finder's fees, commissions or similar payments, made to anyone whatsoever as consideration for the placement of business with the Contractor;
 - 2. any items of substantial economic value offered or tendered to a System Representative; and
 - 3. the extent, amount and placement of any business, other than directed brokerage placed in accordance with a resolution adopted by the Board in open meeting, which was in any way associated with the party's relationship with the System.
- B. In addition to the annual filing described in A, above, a Contractor or agent of a Contractor may be required to file a Questionnaire with the System. The Questionnaire is required if the Contractor or agent has a Business Relationship with a Trustee or Administrator of the System or a Family Member of a Trustee or Administrator that results in taxable income to the Trustee or Administrator, other than investment income, of \$2,500 or more in a twelve-month period, or if the Contractor or agent has made one or more Gifts to a Trustee, Administrator or Family Member of either with an aggregate value of \$250 in any twelve-month period. Copies of the Questionnaire are available from the System's office. The complete Questionnaire must be filed with the System's Administrator by the seventh business day after the later of:
 - 1. The date the Contractor or agent begins discussions to enter into a contract with the System or submits an application in response to a request for proposal or bids or other writing related to a potential contract; or
 - 2. The date the Contractor or agent becomes aware of the Business Relationship or has given one or more Gifts with an aggregate value of \$250.

- C. The Contractor or agent shall update a Questionnaire within seven days after learning that the information in the earlier Questionnaire is no longer accurate. All Questionnaires that are filed with the Administrator are displayed on the System's website.
- D. This Statement of Ethics will, by being affixed to all contractual agreements with Contractors, be incorporated into all such contractual agreements and will be referenced in each request for proposals issued by the Board.
- E. To the extent a Contractor is a Fiduciary, the contract shall acknowledge such status and such Contractor will conform its conduct to appropriate Fiduciary Standards.

X. ADOPTION

The foregoing Statement of Ethics, which is subject to modification as deemed appropriate, from time to time by the Board of Trustees, was adopted by the Board of Trustees of the System at its meeting of January 11, 1996, and has been amended from time to time by the Board of Trustees of the System.

EXHIBIT D

THE TOWNSEND GROUP CODE OF ETHICS

I. INTRODUCTION

This Code of Ethics (the "Code") is designed to (i) remind employees and other representatives of The Townsend Group, Inc. ("Townsend") of their obligations to Townsend's clients; (ii) memorialize and foster Townsend's general standards of business conduct; (iii) require employees and certain other persons to report their personal securities transactions and holdings; and (iv) require the reporting of violations.

This Code is intended to supplement Townsend's Compliance Policies and Procedures (the "Compliance Procedures") and other policies to ensure that Townsend complies with the Investment Advisers Act of 1940 and other applicable laws, and to provide additional guidance to employees and other representatives of Townsend in connection with their fiduciary duties and legal obligations to Townsend's clients.

This Code and the Compliance Procedures cover a wide range of business practices and procedures. However, they do not cover every issue that may arise. Because not every potential issue can be anticipated in advance, this Code and the Compliance Procedures also contain general provisions prohibiting situations likely to lead to conflicts and establish basic principles to guide Townsend's employees and other representatives. In view of these general provisions and our general duties to our clients, it is critical that any individual who is in doubt about the applicability of this Code, the Compliance Procedures or other policies to a given situation seek a determination from the Chief Compliance Officer about the propriety of the conduct in advance.

This Code will be reviewed on an ongoing basis and revised as needed. It will also be scrutinized and revised as necessary at least once a year.

This Code generally applies to all directors of Townsend, all officers of Townsend, all other persons occupying a similar status or performing similar functions as the officers of Townsend, all employees of Townsend, and all other individuals who are subject to Townsend's supervision and control (collectively, "Townsend Associates").

A. Sanctions.

Adherence to this Code is of fundamental importance to the employment by, or other association with, Townsend. Every Townsend Associate is expected to adhere to the requirements of this Code despite any inconvenience that may be involved. Because Townsend believes strongly in the importance of compliance with the requirements of this Code, Townsend Associates who fail to comply may be disciplined, up to and including dismissal. Additionally, violations of this Code or the Compliance Procedures could result in criminal penalties and/or civil liabilities.

B. Certifications.

At least once each fiscal year, the Chief Compliance Officer or his or her designee will notify each Townsend Associate that he or she is subject to this Code and will deliver a copy of this Code to each such person. Each Townsend Associate will be required to submit to the Chief Compliance Officer or his or her designee a written acknowledgement in the form attached as Exhibit A, acknowledging and certifying that he or she (i) has received and reviewed this Code (and any amendments); (ii) understands this Code and recognizes that he or she is subject to its provisions and penalties for non-compliance; and (iii) is, to the best of his or her knowledge, in compliance with the requirements of this Code. The Chief Compliance Officer must also provide Townsend Associates with copies of any amendments to this Code.

Each Townsend Associate must also complete a Compliance Questionnaire in the form attached hereto as Exhibit B no later than ten days after such person becomes a Townsend Associate and at least annually thereafter.

II. STANDARDS OF CONDUCT

C. Fiduciary and Other Duties.

As an investment adviser, Townsend has a fiduciary duty to each of its clients. This fiduciary duty consists of (i) a duty of utmost good faith and undivided loyalty; (ii) an obligation to fully and fairly disclose all material facts; (iii) an obligation to employ reasonable care to avoid misleading clients; and (iv) an obligation to provide disinterested advice. In addition, Townsend and Townsend Associates must act with integrity, honesty, competence, dignity and in an ethical manner when dealing with the public, clients, prospective clients, employers and employees. In certain client relationships, Townsend has additional fiduciary duties under ERISA or comparable state laws. Townsend has a fundamental obligation to act in the best interests of its clients and to provide investment advice in its clients' best interests.

Townsend and Townsend Associates are also required to comply with both the letter and the spirit of the federal securities laws and other applicable laws.

D. Conflicts.

Compensation from Managers: Townsend is committed to providing unbiased and uncompromised advice. Accordingly, Townsend does not accept any compensation from managers for any purpose whatsoever, including (i) participation in Townsend's database; (ii) purchase of research; (iii) sponsorship of conferences; or (iv) the provision of consulting, investment banking or other services.

Investment Allocation: On rare occasions, Townsend may be required to allocate investment or disposition opportunities among clients. In those cases, allocation decisions must be consistent with both (i) the Allocation Policy and (ii) the fiduciary duties described above.

Service as a Director: If any Townsend Associate serves on the board of directors or similar body of any unaffiliated entity and any issue related to that other entity is under consideration by Townsend, that person must recuse himself or herself from participating in the decision.

III. SECURITIES TRADING AND HOLDING

A. In General.

No Access Person (defined below) may use any information concerning the investments or investment intentions of Townsend, its affiliates or its clients, or his or her ability to influence investment intentions, for personal gain or in a manner that is detrimental to the interests of Townsend or any of its clients. For more information on this topic see Townsend's Insider Trading Policy.

Most of Townsend's investment recommendations, and most of the information collected by Townsend, relate to Securities (defined below) issued by privately offered real estate funds (both open-end and closed-end). While the rules below have general applicability, enforcement will be focused on the types of investment opportunities and the types of information that are accessible by Townsend and Townsend Associates.

B. Definitions.

1. "Access Person" means

- (a) each director of Townsend with the exception of non-employee directors);
- (b) each officer of Townsend; and
- (c) each other employee of Townsend or other person who provides investment advice on behalf of Townsend and is subject to its supervision and control and (i) has access to non-public information regarding any clients' purchase or sale of securities or non-public information regarding the portfolio holdings of any fund for which Townsend or any affiliate serves as investment adviser; (ii) is involved in making securities recommendations to clients; or (iii) has access to securities recommendations that are non-public.

2. "Beneficial Ownership" has the same meaning set forth in Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, which provides that (a) the term "beneficial owner" means any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares a direct or indirect pecuniary interest in Securities and (b) the term "pecuniary interest" means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject Securities. Examples of indirect pecuniary interests include, without limitation, Securities being held by a member of a person's immediate family that shares his or her household or by a trust or other holding vehicle in which a person has an interest.

3. "Compliance Office Approval" means written approval (which may be in hard copy or by electronic communication) confirming that a proposed transaction or other activity does not appear to be in violation of this Code issued by the Chief

Compliance Officer or his or her designee or, in the case of matters involving the Chief Compliance Officer in his or her personal capacity, issued by the Chief Operating Officer.

4. “Initial Public Offering” means an offering of Securities registered under the Securities Act of 1933, the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934.

5. “Limited Offering” means an offering that is exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) or Section 4(6) or pursuant to Rule 504, Rule 505 or Rule 506 under the Securities Act of 1933.

6. “Purchase” or “Sale” means, as applicable, the purchase or sale or any action to accomplish the purchase or sale of a Security, and includes, without limitation, the writing, purchase or exercise of an option to purchase or sell a Security and conversions of convertible Securities.

7. “Reportable Security” means any Security (as defined herein) other than (a) direct obligations of the government of the United States; (b) bankers’ acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; (c) shares issued by money market funds; (d) shares issued by open-end funds (which includes most mutual funds); and (e) shares issued by unit investment trusts that are invested exclusively in one or more open-end funds.

8. “Security” has the meaning given it by Section 202(a)(18) of the Investment Advisers Act of 1940, and includes, without limitation, any type of equity or debt Security and any rights relating to a Security, such as put and call options, warrants, convertible Securities and Securities indices.

9. “Trading Program” means an automatic investment plan that was established at a time when the person establishing the plan had no material non-public information regarding the Securities covered by the plan. For purposes of this Code, Trading Programs include, without limitation,

- (a) automatic 401(k) contributions, so long as investment decisions (such as elections to change the amount of future compensation that will be contributed to any available investment option) are made at a time when the person making the decisions has no material non-public information regarding the Securities covered by the plan; and
- (b) reinvestments of dividends pursuant to a dividend reinvestment program or brokerage account direction to automatically reinvest dividends into the distributing Security.

10. “Undirected Accounts” means, with respect to any Access Person, accounts over which he or she has no direct or indirect influence or control, including, without limitation, a blind trust.

C. Pre-Approval Requirements.

1. Each Access Person must obtain advance Compliance Office Approval for any acquisition of Beneficial Ownership of any Securities in a transaction that is an Initial Public Offering or a Limited Offering or before acquiring any Securities that are being evaluated for possible client investment.

2. Requests for pre-approval shall be submitted in writing. The Chief Compliance Officer shall retain written records of all pre-approval requests.

3. The Chief Compliance Officer may not authorize a transaction if he or she believes that the transaction is reasonably likely to involve a conflict of interest, possible diversion of corporate opportunity or an appearance of impropriety.

4. Compliance Office Approval to consummate a transaction is effective, unless earlier revoked, until the earliest of (a) the close of business on the tenth calendar day after the day on which the approval was obtained; (b) any time specified in the Compliance Office Approval; or (c) any time at which the Access Person learns that the information provided in the request for approval is not accurate. Compliance Office Approval may be revoked at any time.

5. Factors to be considered in determining whether to approve a transaction or whether to revoke approval include, without limitation, the following:

- (a) Whether the person requesting approval appears to be engaging in, or to have the opportunity to engage in, the Purchase or Sale as a result of his or her association with Townsend;
- (b) Whether the person requesting approval appears to be engaging in illegal or inappropriate market timing transactions;
- (c) Whether the requested approval relates to a Security that (i) Townsend is actively reviewing for prospective client investment; (ii) Townsend is actively monitoring for any Townsend client; or (iii) fell within either of the two preceding categories during the preceding 90 days; and

D. Holding Reports.

1. Subject to the exceptions identified below, each Access Person must submit a holding report (a “Holding Report”) in the form attached as Exhibit C-1 to the

Chief Compliance Officer or his or her designee no later than ten days after he or she becomes an Access Person and annually thereafter, within 30 days after each December 31.

2. The information in a Holding Report must be current as of a date no more than 45 days prior to the date the Holding Report was submitted.

3. Each Holding Report must contain the following information:

- (a) The title and type of Security, and, as applicable, the exchange ticker symbol or CUSIP number, number of shares, and principal amount of each Reportable Security in which the Access Person has any direct or indirect Beneficial Ownership;
- (b) The name of any broker, dealer or bank with which the Access Person maintains an account in which any Securities (whether or not they are Reportable Securities) are held for the Access Person's direct or indirect benefit; and
- (c) The date the Access Person submits the Holding Report.

E. Quarterly Transaction Reports.

1. Subject to the exceptions noted below, each Access Person must submit to the Chief Compliance Officer or his or her designee in the form attached as Exhibit C-2, no later than 30 days after the end of each calendar quarter, a quarterly transaction report with respect to each transaction during the preceding quarter in any Reportable Security in which that Access Person has, or by reason of the transaction acquired, any direct or indirect Beneficial Ownership interest (a "Transaction Report").

2. Each Transaction Report must contain the following information:

- (a) The date of the transaction, the title, and, as applicable, the exchange ticker symbol or CUSIP number, interest rate and maturity date, number of shares and principal amount of each Reportable Security involved;
- (b) The nature of the transaction (*i.e.*, Purchase, Sale or any other type of acquisition or disposition);
- (c) The price of the Reportable Security at which the transaction was effected;
- (d) The name of the broker, dealer or bank with or through which the transaction was effected; and
- (e) The date that the Transaction Report is submitted by the Access Person.

F. Exceptions from Reporting Requirements.

1. Access Persons will not be required to submit any of the following:
 - (a) Any Holding Report or Transaction Report with respect to Securities held in Undirected Accounts; or
 - (b) Any Transaction Report with respect to transactions effected pursuant to a Trading Program.
2. As indicated above, Access Persons will not be required to submit any Reports with respect to Securities that are not Reportable Securities.

G. Enforcement.

The Chief Compliance Officer or his or her designee may review Reports. If it is determined by the Chief Compliance Officer or his or her designee that a reported transaction resulted from fraudulent, deceptive or manipulative actions by the reporting person, disgorgement of profits, termination of employment and/or other action may be taken against that person.

IV. GIFT GIVING AND RECEIVING

Townsend and its employees are not permitted to give any gift to a board member, employee or other person associated with a potential client with the intention of exerting inappropriate influence over a decision to retain Townsend. In addition, each person that gives anything of value to a representative of a client or potential client is responsible for understanding and complying with any additional restrictions that may be imposed by the client or the regulations that apply to it.

Townsend and its employees are not permitted to accept any gift from any manager doing or seeking to do business with any of Townsend's clients if the receipt of the gift would (i) influence any decision or (ii) create the appearance of influence over any decision regarding the evaluation and/or recommendation of the manager. Entertainment shall not be excessively extravagant or too frequently accepted. Each employee must use its discretion to avoid even the appearance of impropriety.

Anything given or received of value over \$50 must be reported on the Gift Certification provided in Exhibit D. Employees may not accept anything over \$100 without pre-approval from compliance. No employee may accept over \$500/year in gifts.

Reportable Gifts and Entertainment excludes dining and entertainment with others except that employees are reminded of their duty as fiduciaries and to use discretion at all times.

V. CONFIDENTIALITY

Every Townsend Associate and every Townsend representative will maintain in strictest confidence and will not disclose, or use for his or her own benefit, any investment advice or

other information furnished to or received from or on behalf of any client, including, without limitation, client holdings, investment policy structure and/or implementation decisions, information that a Security is being considered for Purchase or Sale by any client, and the contents of any research report, recommendation or decision, whether at the preliminary or final level.

Townsend Associates and Townsend representatives may not disclose any confidential information to any person without approval of Townsend's Chief Compliance Officer, except: (i) disclosures or communications to other Townsend Associates or Townsend representatives who need the information to carry out the duties of their position with Townsend or (ii) disclosures or communications to third parties in furtherance of Townsend's services to its clients.

It is possible that Townsend Associates or Townsend representatives may become temporary "insiders" because of a duty of trust or confidence. A duty of trust or confidence can arise: (i) whenever a person agrees to maintain information in confidence; (ii) when two people have a history, pattern or practice of sharing confidences such that the recipient of the information knows or reasonably should know that the person communicating the material non-public information expects that the recipient will maintain its confidentiality; or (iii) whenever a person receives or obtains material non-public information from certain close family members such as spouses, parents, children and siblings. Should you become aware of any material non-public information, you must follow Townsend's Insider Trading Policy.

VI. REPORTING VIOLATIONS

Any Townsend Associate who becomes aware or suspicious of any violation of this Code or federal securities laws is required to promptly contact Townsend's Chief Compliance Officer (unless the violation or perceived violation involves the Chief Compliance Officer). Violations or suspected violations may be disclosed in writing, telephonically or in person. Contact information for the Chief Compliance Officer is as follows:

Chief Compliance Officer
The Townsend Group
Skylight Office Tower
1660 West 2nd Street, Suite 450
Cleveland, Ohio 44113
Telephone: 218.781.9090
e-mail: compliance@townsendgroup.com

In the event that any violation or suspected violation concerns the Chief Compliance Officer, the disclosure should be filed with the Chief Operating Officer of Townsend.

Townsend encourages all Townsend Associates to talk to supervisors, managers or other appropriate personnel to report and discuss any known or suspected criminal or unethical business activity involving Townsend or Townsend Associates. Reporting the activity will not subject the employee to discipline absent a knowingly false report. Retaliation for reporting violations under this Code is prohibited.

VII. RECORDKEEPING

Townsend will maintain a copy of this Code, as well as any amendments, for five years after they cease to be effective. Townsend will also keep, in addition to the other books and records that it maintains, true, accurate and current records of the following for at least five years:

1. Any violation of this Code and any action taken as a result of the violation;
2. All written acknowledgements for each person who at any time is, or was at any time during the preceding five years, subject to this Code;
3. A record of each Report made under this Code by an Access Person;
4. A record of the names of persons who at any time are, or were at any time during the preceding five years, Access Persons;
5. A record of any decision to approve the acquisition of Securities by Access Persons.

Code of Ethics

EXHIBIT A

**CODE OF ETHICS
ACKNOWLEDGMENT & CERTIFICATION FORM**

I have received and reviewed The Townsend Group Code of Ethics (the "Code"). I understand the Code, recognize that I am subject to it and understand the penalties for non-compliance.

I further certify that, to the best of my knowledge, I am in compliance with all applicable requirements of the Code and have fully and accurately completed this certificate.

I further certify that, to the best of my knowledge, I have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by the Code.

Finally, I certify my understanding that as a condition of my employment I will not disclose any information treated as "confidential" under the Code or any Townsend policy.

Signature: _____

Name: _____
(please print)

Date: _____

Code of Ethics

EXHIBIT B

**The Townsend Group, Inc.
Annual Compliance Questionnaire**

The Townsend Group Code of Ethics holds our employees to a standard of business conduct which requires that we place the interests of our clients first at all times and identify potential conflicts of interest. As a federally registered investment adviser, Townsend is required to disclose certain criminal and disciplinary matters involving its officers and employees. Additionally, as a government contractor, Townsend is required to disclose certain political contributions of its employees. In order to comply with these obligations, we ask you to complete the questions below and return the signed form by _____, 20__.

Questionnaire:

1. In the **past ten years**, have you
 - a. been convicted or plead guilty or nolo contendere ("no contest")
in a domestic, foreign or military court to any felony? ☐ Yes ☐ No
 - b. been charged with any felony? ☐ Yes ☐ No

2. In the **past ten years**, have you
 - a. been convicted or plead guilty or nolo contendere ("no contest")
in a domestic, foreign, or military court to a misdemeanor
involving: investments or an investment-related business, or any
fraud, false statements, or omissions, wrongful taking of property,
bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy
to commit any of these offenses? ☐ Yes ☐ No
 - b. been charged with a misdemeanor specified in 2(a)? ☐ Yes ☐ No

3. Has the SEC or the Commodity Futures Trading Commission ever:
 - a. found you to have made a false statement or omission? ☐ Yes ☐ No
 - b. found you to have been involved in a violation of SEC or
CFTC regulations or statutes? ☐ Yes ☐ No
 - c. found you to have been a cause of an investment-related
business having its authorization to do business denied,
suspended, revoked, or restricted? ☐ Yes ☐ No
 - d. entered an order against you in connection with an
investment-related activity? ☐ Yes ☐ No
 - e. imposed a civil money penalty on you, or ordered you to
cease and desist from any activity? ☐ Yes ☐ No

4. Has any other federal regulatory agency, any state regulatory agency, or any foreign
financial regulatory authority:
 - a. ever found you to have made a false statement or omission,
or been dishonest, unfair, or unethical? ☐ Yes
☐ No

- b. **ever** found you to have been involved in a violation of investment-related regulations or statutes? ☐ Yes ☐ No
- c. **ever** found you to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted? ☐ Yes ☐ No
- d. in the **past ten years**, entered an order against you in connection with investment-related activity? ☐ Yes ☐ No
- e. **ever** denied, suspended, or revoked your registration or license or otherwise prevented you by order, from associating with an investment-related business or restricted your activity? ☐ Yes ☐ No
5. Has any self-regulatory organization or commodities exchange **ever**:
- a. found you to have made a false statement or omission? ☐ Yes ☐ No
- b. found you to have been involved in a violation of its rules (other than a violation designated as a "minor rule violation" under a plan approved by the SEC)? ☐ Yes ☐ No
- c. found you to have been the cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted? ☐ Yes ☐ No
- d. disciplined you by expelling or suspending you from membership, barring or suspending you from associating with other members, or otherwise restricting your activities? ☐ Yes ☐ No
6. Has an authorization to act as an attorney, accountant, or federal contractor granted to you **ever** been revoked or suspended? ☐ Yes ☐ No
7. Are you **now** the subject of any regulatory proceeding that could result in a "yes" answer to any part of the above questions? ☐ Yes ☐ No
-
8. Has **any** domestic or foreign court:
- a. In the **past ten years**, enjoined you in connection with any Investment-related activity? ☐ Yes ☐ No
- b. **ever** found you were involved in a violation of investment-related statutes or regulations? ☐ Yes ☐ No
- c. **ever** dismissed, pursuant to a settlement agreement, an investment-related civil action brought against you by a state or foreign financial regulatory authority? ☐ Yes ☐ No
9. Are you **now** the subject of any civil or criminal proceeding That could result in a "yes" answer to any part of the above questions? ☐ Yes ☐ No
10. Have you or your spouse made any contribution of money or pledge of contribution, including in-kind contributions, to any political party or political organization or any candidate for election to any federal or state governmental office? ☐ Yes ☐ No

If you have answered "yes" to any of the questions above, please give a brief description of the circumstances below:

Definitions and Interpretation:

"Investment-related" means pertaining to securities, commodities, banking, insurance or real estate (including, but not limited to, acting as or being associated with a broker, dealer, investment company, investment advisor, government securities broker or dealer, municipal securities dealer, bank, savings and loan association, entity or person required to be registered under the Commodity Exchange Act, or fiduciary).

"Involved" means acting or aiding, abetting, causing, counseling, commanding, inducing, conspiring with or failing reasonably to supervise another in doing an act.

"Proceeding" includes a formal administrative or civil action initiated by a government agency, self-regulatory organization or foreign financial regulatory authority; a felony criminal indictment or information (or equivalent formal charge); or misdemeanor criminal information (or equivalent formal charge). This term does not include other civil litigation, investigations, or arrests or similar charges effected in the absence of a formal criminal indictment or information (or equivalent formal charge).

For purposes of timing, events are deemed to have occurred on the date that a final order, judgment, or decree was entered, regardless of whether the order, judgment, or decree remains under appeal or reconsideration.

Certification:

I have carefully read all of the preceding paragraphs and state that I understand them and that the information I have provided is true and correct to the best of my knowledge. In addition, I understand that Townsend administers this questionnaire at certain prescribed times, but that it is my responsibility to ensure that my responses are accurate on an ongoing basis. Should one of my responses need to be amended, it is my responsibility to promptly inform the Legal and Compliance Department. I understand that failure to promptly notify the Legal and Compliance Department of a change in my response or completing the questionnaire with false or misleading information may lead to disciplinary action.

Name

Signature

Date

Code of Ethics

EXHIBIT C

**FORM TRANSACTION
AND HOLDING REPORTS**

[See attached.]

20__ HOLDING REPORT

AND

TRANSACTION REPORT FOR THE FOURTH QUARTER OF 20__

	Title of Security and Ticker Symbol or CUSIP No.	Fourth Quarter Transaction (If Any)				Broker, Dealer or Bank	Additional Information ^(b)
		Nature of Transaction	Date of Transaction	# of Shares / Units ^(a)	Price per Share / Unit		
1.							
2.							
3.							
4.							
5.							

TRANSACTION REPORT FOR THE QUARTER ENDED _____, 20__

	<u>Title of Security</u>	<u>Nature of Transaction</u>	<u>Date of Transaction</u>	<u>Ticker Symbol or CUSIP No.</u>	<u># of Shares / or other Units</u>	<u>Broker, Dealer or Bank</u>	<u>Price per Share or Other Unit</u>	<u>Additional Information^(a)</u>
1.								
2.								
3.								
4.								
5.								

Date of Report: _____

Printed Name: _____

Signature: _____

(a) This report is not to be construed as an admission that the person making it has or had any direct or indirect beneficial interest in any security listed above.

Code of Ethics
EXHIBIT D

Gift Reporting and pre-clearance Form

Name of Employee: _____ Date: _____

CHECK ONE:

GIFTS/GRATUITY GIVEN ____ / RECEIVED ____

Description of Gift or Gratuity	Date Given/ Rec'd	Name and Affiliation of Giver / Recipient	Business Purpose(if applicable)	Approximate Value	Supervisory Approval (if value exceeds \$100)

Please refer to the Code of Ethics for guidance regarding what constitutes a gift and what must be reported or contact the CCO for more information.

EXHIBIT E

Example of Computation of the Annual Fee

The Townsend Group				Dallas Police and Fire Pension System				
				Third Quarter 2012				
Portfolio Composition (\$)								
Total Plan Assets				Market Value		Unfunded Commitments		
3,147,683,730				865,807,918		27.5%		
						186,738,752		
						5.9%		
Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments
Core Portfolio								
Core Portfolio	1984	60,120,608	295,826,541	10,000,000	267,413,096	60,251,841	6.1	6.7
Value Added Portfolio								
Value Added Portfolio	1995	185,481,302	482,969,183	0	439,934,904	202,899,757	20.7	19.0
Opportunistic Portfolio								
Opportunistic Portfolio	1986	549,965,001	592,428,395	176,738,752	356,888,125	216,216,896	22.0	23.1
Global Public Real Estate Securities								
Global Public Real Estate Securities	1995	0	50,347,984	0	5,563,806	53,351,558	5.4	4.8
Timber Portfolio								
Timber Portfolio	1992	41,930,000	131,386,291	0	70,014,523	106,920,791	10.9	9.7
Land Portfolio								
Land Portfolio	2005	194,295,667	322,091,113	0	43,067,155	272,127,304	27.8	24.7
Farmland Portfolio								
Hancock Farmland Portfolio	1908	61,000,000	61,244,353	0	41,319,766	98,660,680	10.1	14.7
Farmland Portfolio	1998	61,000,000	61,244,353	0	41,319,766	98,660,680	10.1	14.7
Real Estate Structured Investments								
CDK Realty Advisors Structured Investments I.M.A.	2006	77,500,000	189,495,995	0	130,132,408	85,301,029	8.7	7.7
Real Estate Structured Investments	2006	77,500,000	189,495,995	0	130,132,408	85,301,029	8.7	7.7
Borrowing To Fund Equity Investments - Total Investment Reported Elsewhere*								
Bentall Kennedy Core Loan Portfolio						-5,000,000	-0.5	-0.5
Bentall Kennedy Value Added Loan Portfolio						0	0.0	0.0
CDK Land Loan Portfolio						-44,450,000	-4.6	-4.1
CDK Project: City Scape						-26,100,000	-2.7	-2.4
CDK Value Added Loan Portfolio						-83,134,411	-8.5	-7.5
CDK: 4100 Harry Hines						-11,000,000	-1.1	-1.0
Eaglecrest Borrowing to Fund Equity Investment						-5,251,527	-0.5	-0.5
L&B Line of Credit Loans						-16,000,000	-1.6	-1.5
Portfolio Level Debt Ratio						-31,526,000	-3.2	-2.9
West Bay Villas Loan						-7,470,000	-0.8	-0.7
Borrowing To Fund Equity Investments - Total Investment Reported Elsewhere*						-229,921,938	-25.1	-22.4
Borrowing To Fund Equity Investments - Net Equity Reported Elsewhere**								
Criswell Radovan I.M.A. - Juliana						-33,000,000		
INVESCO I.M.A. - DFW Apartments						-19,739,500		
Knudson Luxury Housing IV & V						-30,610,000		
Land Baron I.M.A.						-18,318,000		
Land Baron I.M.A. - JMM Dry Creek Recourse Loan						-26,082,000		
L&B Core I.M.A.						-12,877,237		
SWS Loans						-40,000,000		
TCB Loan						-40,000,000		
Borrowing To Fund Equity Investments - Net Equity Reported Elsewhere**						-220,616,737		
Global Real Estate		1,067,362,578	1,882,811,227	186,738,752	1,237,435,688	606,874,889	62.3	60.7
Global Natural Resources		102,930,000	192,630,644	0	111,334,289	205,581,471	21.0	24.4
Global Public Real Estate Securities		0	50,347,984	0	5,563,806	53,351,558	5.4	4.8
Dallas Police and Fire Pension System (\$/M/L)				1,170,292,578	2,125,784,815	186,738,752	1,354,313,783	865,807,918
Add Lone Star VII NAV								21,756,458
Add Borrowing to Fund Equity from above								450,548,675
Add Lone Star Fund VIII NAV (capital not called yet)								0
Private Equity Real Estate Holding Company								131,348,723
Total Gross Real Estate and Related Real Assets								1,469,461,774
Fee Computation on first \$1.0 billion 1.5 bps/annum								150,000
Fee on excess above \$1.0 billion 1.2 bps/annum								56,335
Total Fee Per Annum								206,335